中國金洋
CHINA GOLDJOY

中國金洋集團有限公司
CHINA GOLDJOY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：1282

ANNUAL REPORT 2017 年報

http://www.hk1282.com

CORPORATE PROFILE

China Goldjoy Group Limited (the "Company") was established in 2009 and listed on the main board of The Stock Exchange of Hong Kong Limited on 15 December 2010 (Stock code: 1282). The Company and its subsidiaries (collectively the "Group" or "China Goldjoy") has successfully promoted the transformation of its business towards high value enhancement and diversification. The Group is currently engaged in the business of automation, financial services, manufacturing, property investment & development & securities investment.

In financial services, the Group, through its subsidiaries, provides securities, futures, precious metals trading, asset management, wealth management, corporate finance and credit financing services in Hong Kong and provides asset management, investment management and finance leasing services in Mainland China. In 2017, the Group has adopted property investment and development as one of the principal businesses, aiming at better leveraging its resources to diversify income sources and improve its financial position. To grasp business opportunities in emerging industries, the Group is also actively developing new energy industries, energy saving and intelligent manufacturing business.

In 2017, the Group has been included as a constituent of the MSCI China Small Cap Index and is also a constituent of a number of Hang Seng Indexes, including Hang Seng Internet & Information Technology Index, Hang Seng Global Composite Index, Hang Seng Composite Index Series – Hang Seng Composite Index, Hang Seng Composite Industry Index –Information Technology, Hang Seng Composite LargeCap & MidCap Index, Hang Seng Composite MidCap & SmallCap Index and Hang Seng MidCap Index and is one of the eligible stocks in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Adhering to the philosophy of "sustainable development and giving back to the community," China Goldjoy is committed to providing customers with all-rounded quality products and services, to maximize return for our shareholders, and at the same time strive to contribute to the well-being of the society as a whole. Looking ahead, with the optimization of business structure and enhancement of profitability, the Group will grasp the pulse of the era and opportunities of new industries while actively looking for local and overseas partners to promote the overall development of the Group in the future.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yao Jianhui – *Chairman and Chief Executive Officer*
Mr. Li Minbin
Mr. Zhang Chi *(appointed on 13 July 2017)*
Mr. Shao Zuosheng *(resigned on 13 July 2017)*

Non-Executive Director
Mr. Huang Wei

Independent Non-Executive Directors
Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung

AUDIT COMMITTEE

Mr. Wong Chun Bong – *Chairman*
Mr. Huang Wei
Professor Lee Kwok On, Matthew

NOMINATION COMMITTEE

Mr. Yao Jianhui – *Chairman*
Mr. Wong Chun Bong
Mr. Lee Kwan Hung

REMUNERATION COMMITTEE

Professor Lee Kwok On, Matthew – *Chairman*
Mr. Yao Jianhui
Mr. Wong Chun Bong

INVESTMENT COMMITTEE

Mr. Yao Jianhui – *Chairman*
Mr. Li Minbin
Mr. Zhang Chi *(appointed on 13 July 2017)*
Mr. Shao Zuosheng *(resigned on 13 July 2017)*

STRATEGIC COMMITTEE

Mr. Yao Jianhui – *Chairman*
Mr. Li Minbin
Mr. Zhang Chi *(appointed on 13 July 2017)*
Mr. Shao Zuosheng *(resigned on 13 July 2017)*
Professor Lee Kwok On, Matthew

COMPANY SECRETARY

Mr. Chan Sai Yan *(appointed on 13 Nov 2017)*
Ms. Kwok Ling Yee, Pearl Elizabeth
(resigned on 13 Nov 2017)

AUTHORISED REPRESENTATIVES

Mr. Yao Jianhui
Mr. Chan Sai Yan

PRINCIPAL BANKERS

China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
Chiyu Banking Corporation Ltd.
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1908 to 1909, 19/F, Tower 2
Lippo Centre, No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

LISTING VENUE/STOCK CODE

Main Board of The Stock Exchange of
Hong Kong Limited/1282

BOARD LOT

4,000 shares

COMPANY WEBSITE

http://www.hk1282.com

Financial Highlights

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2017 HK$'million	2016 HK$'million	2015 HK$'million	2014 HK$'million	2013 HK$'million
OPERATING RESULTS					
Revenue	**2,825.3**	995.6	711.8	741.1	1,036.7
Gross profit/(loss)	**871.3**	473.4	264.9	(250.8)	31.8
EBITDA (Note 1)	**1,099.0**	840.2	236.7	(491.6)	227.8
EBIT (Note 2)	**1,059.2**	829.7	205.1	(574.0)	136.3
Profit/(loss) from operations	**1,053.4**	818.6	209.9	(564.1)	144.2
Profit attributable to equity holders of the Company	**869.2**	466.6	181.7	(583.2)	128.7

	As of 31 December				
	2017 HK$'million	2016 HK$'million	2015 HK$'million	2014 HK$'million	2013 HK$'million
FINANCIAL POSITION					
Total assets	**10,961.0**	7,005.7	4,332.0	877.3	1,773.0
Net assets	**7,769.4**	5,149.4	4,150.0	491.2	1,203.7
Net current assets	**3,602.3**	2,338.7	3,825.2	175.8	214.3
Net (cash)/debt	**(1,605.5)**	(756.1)	(3,221.3)	15.8	(20.3)
KEY STATISTICS					
Gross profit/(loss) margin	**31%**	48%	37%	(34%)	3%
Operating profit/(loss) margin	**37%**	82%	29%	(76%)	14%
Net profit/(loss) margin	**32%**	66%	26%	(79%)	12%
Return on equity	**12%**	13%	4%	(119%)	11%
Interest coverage (Note 3)	**53.3**	1,009.4	31.6	N/A	15.2
Earnings/(loss) per share (HK cent)					
– Basic	**3.90**	2.15	2.36	(19.92)	4.40
– Diluted	**3.90**	2.15	2.36	(19.92)	4.40
Dividend per share (HK cent)	**0.51**	0.32	0.25	–	0.40
Current ratio	**2.4**	2.7	25.3	1.5	1.4
Gross gearing ratio (Note 4)	**8.1%**	15.1%	0.7%	52.0%	25.3%

Notes:

1. EBITDA is calculated at profit/(loss) before income tax subtracted by finance income – net (excluding adjustment of put option liability in relation to acquisition of subsidiaries) and adding back depreciation of property, plant and equipment, amortisation of intangible assets and amortisation of land use right.

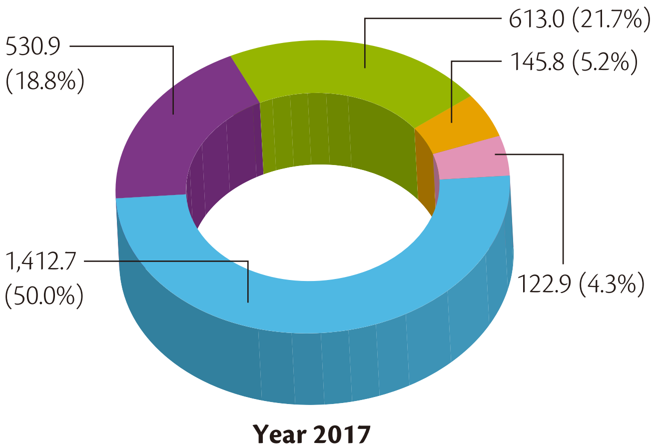
2. EBIT is calculated at profit/(loss) before income tax subtracted by finance income – net (excluding adjustment of put option liability in relation to acquisition of subsidiaries).

3. Interest coverage is calculated at profit before income tax subtracted by finance income – net (excluding adjustment of put option liability in relation to acquisition of subsidiaries) and divided by finance cost of the Group.

4. Gross gearing ratio is calculated at borrowings divided by net asset value.

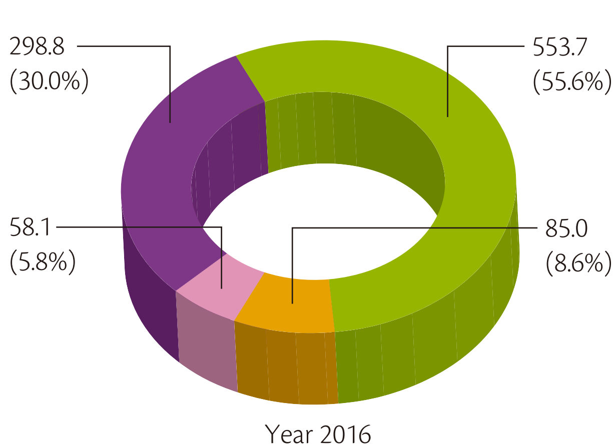
REVENUE (APPROX. HK$2,825.3 MILLION)

(HK$ million)



REVENUE (APPROX. HK$995.6 MILLION)

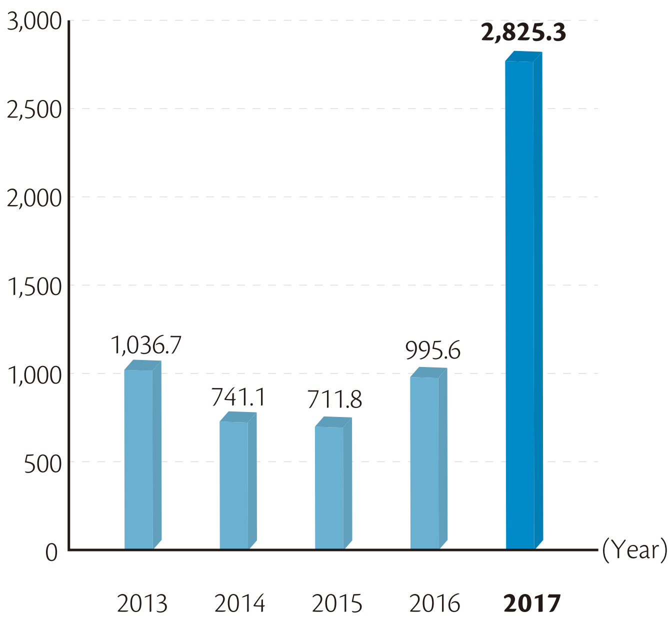
(HK$ million)



Automation | Financial Services | Manufacturing | Property Investment and Development | Securities Investment

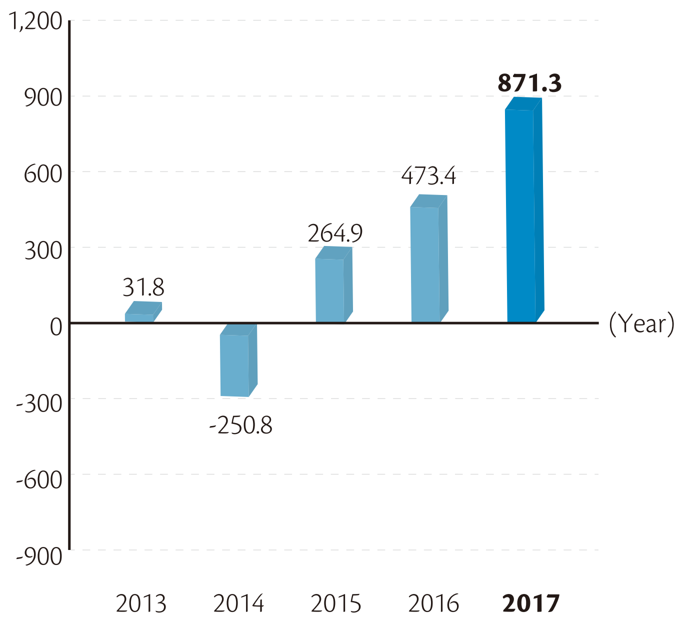
REVENUE

(HK$ million)

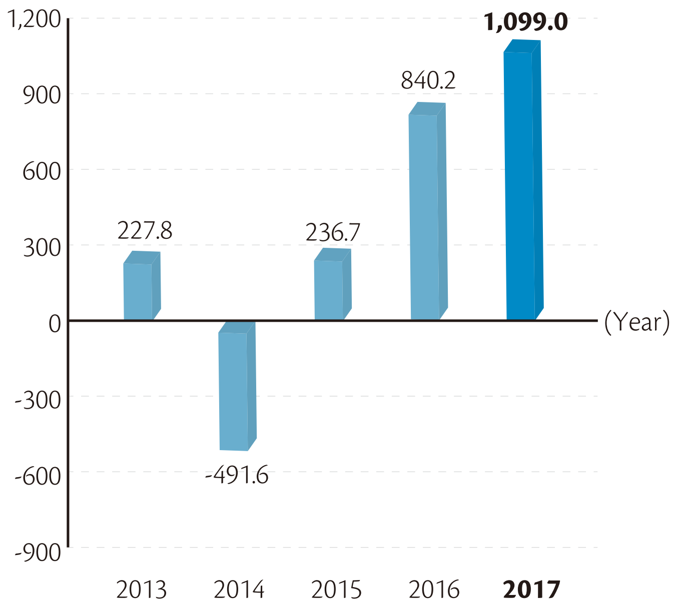


GROSS PROFIT/(LOSS)

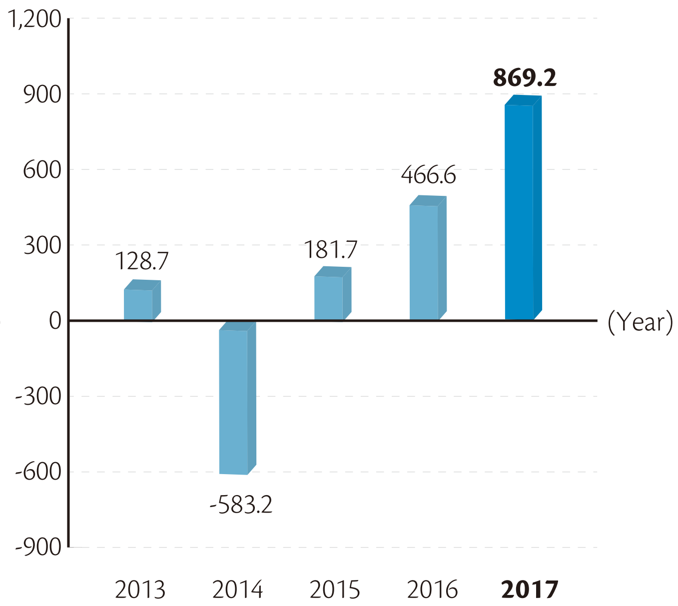
(HK$ million)



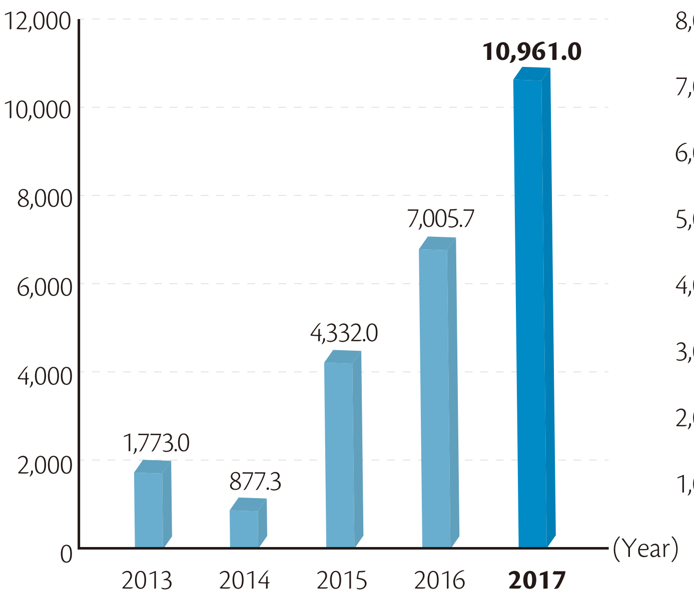
EBITDA
(HK$ million)



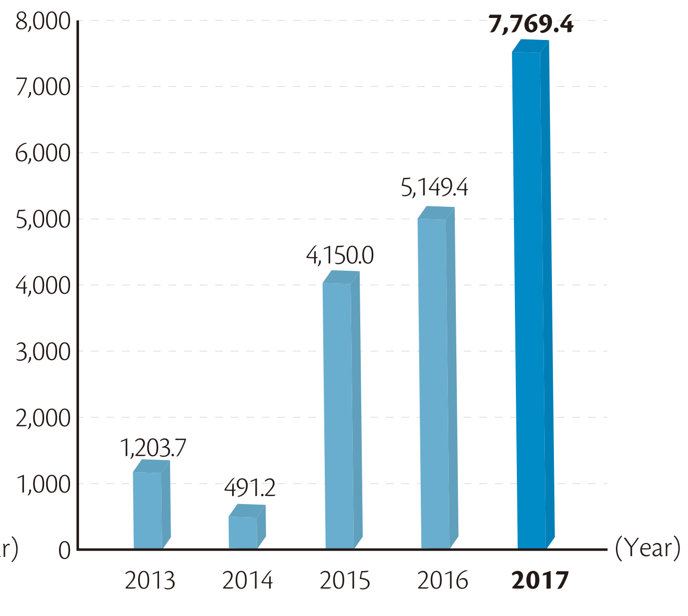
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
(HK$ million)



TOTAL ASSETS
(HK$ million)



NET ASSETS
(HK$ million)



Chairman's Statement

DEAR SHAREHOLDERS,

In 2017, China Goldjoy maintained a sustained growth momentum whereby we attained a steady development and encouraging growth in all of our business segments. For the financial year ended 31 December 2017, the profit attributable to equity holders of the Company increased significantly by 86.3% to approximately HK$869.2 million. (2016: HK$466.6 million). The increase was mainly due to the Group's gain on bargain purchase of a newly acquired subsidiary and its recognition of sales of completed properties; and an increase in gain from short-term securities investment; an increase in dividend income.

Over the past few years, guided by the principle of "creating long-term value growth for our shareholders" and keeping abreast of the trends of the PRC's economic restructuring and increase in consumer spending, we have been undergoing strategic transformation, adjusting business structure as well as speeding up the investment in high growth and high value-added business segments. At present, the principal businesses of the Group include financial services, property investment and development, automation, manufacturing and securities trading and investment. With the optimization of our business structure and improvement of profitability, the foundation for future business development will become more concrete. Further, our emphasis in strengthening the internal control and improving the corporate governance standard has enabled us not only to effectively monitor our business operation and improve our profitability, but also provide driving forces to our long-term development, which are expected to create and enhance shareholders' value.

In respect of the integrated financial services, the Group conducts this business in Hong Kong and the PRC through Goldjoy Holding Limited, and together with its subsidiaries, (the "Goldjoy Holding Group"). Goldjoy Holding Group is one of the few "full-license comprehensive" financial institutions in Hong Kong. Its business covers all aspects of global securities, futures, commodities, asset management, wealth management, corporate finance and financial planning. During the year under review, Goldjoy Holding Group has expanded its financial services in Hong Kong to provide comprehensive and better services for its customers. It has established and managed various funds in Hong Kong and has successively obtained a private equity fund license in Shanghai and a Qualified Foreign Limited Partner ("QFLP") license in Qianhai, Shenzhen, which enable the Goldjoy Holding Group to provide diversified investment options for domestic and foreign investors. The Stock Connect between the Mainland China and Hong Kong markets has effectively promoted the development of the Chinese capital market and facilitated the opening of the PRC financial market to foreigners. During the year, benefiting from the continuous improvement in the global financial market and the expanded financial business scale of Goldjoy Holding Group, the Group's revenue and profit in the integrated financial services segment recorded satisfactory growth. To better serve the target market and provide quality services, Goldjoy Holding Group plans to open branches and service networks in Hong Kong and various cities in Mainland China in 2018.

In respect of the property investment and development, the Group has been actively looking for suitable properties in Mainland China and Hong Kong for investment and development purposes. The Group holds 75.5% equity interest of Shenzhen B&K New Energy Co., Ltd, ("Shenzhen B&K") by way of two acquisitions in 2016. Apart from providing the Group with additional resources and support for the development of new LED lighting business, Shenzhen B&K also offers an opportunity to participate in the property investment business in Mainland China. The Shenzhen B&K's project has been successfully established as a large-scale innovative science park which attracts a number of technology enterprises to move into the park. Through establishment of the Group's first branded long-term rental property, the Group has started to explore various possibilities the innovative development of the long-term rental property market. Further, the Group completed the acquisition of Laihua TaiSheng Limited in December 2017, expanding the Group's property portfolio to cover residential property, office premises, shopping malls and hotels, paving the way for the future growth of our property investment and development business.

In the automation segment, Gallant Tech Limited ("Gallant Tech") has actively grasped the growing demand for automation and intelligent equipment of the industrial upgrade of China's manufacturing industry. During the year, Gallant Tech further optimized its business structure, gaining recognition from major customers including China's leading manufacturers of smartphones, automotive electronics and semiconductors, and expanded its full range of services to include consulting, technology solutions and equipment financing. The Group expects that the rapid development of the 5G wireless communication technology business will further increase our customers' demand for automation services, resulting in a rapid growth of this business in the future.

For the manufacturing operations, the Group implemented the strategy adopted in previous years to gradually fade out those low-margin and low value-added electronics manufacturing business and transform to high-end manufacturing business. This segment has achieved a remarkable result by revenue generation and cost control. As there is a trend of environment protection and digital life, the Group will continue to focus on the use of smart technologies in lighting and energy saving products through R&D and design. At the same time, the Group is actively exploring business opportunities in new energy and other high end technology sectors.

The securities investment and equity investment of the Group focused on the investment theme of consumer spending growth and invested in certain listed and unlisted companies in Mainland China, Hong Kong and overseas with potential and high growth capacity, with a view to seizing the investment opportunities in economic restructuring and upgrading and technological innovation, as well as establishing cooperative relations with the relevant parties. Through the establishment a diversified investment portfolio, the Group intends to generate long-term, stable and favourable return.

During the year and as at the date of this report, the Company had raised HK$2,300 million through the placing of new shares. The Group believes that the placing not only signifies the recognition of the Company by the market but also helps the Company expand its shareholder base and further enhance its corporate governance.

Looking ahead, the Group is confident about the future business development prospects. The Group will continue to keep abreast of the PRC economic development and actively plan the strategy to grasp the investment opportunities brought about by the economic transformation and upgrade, to strengthen the Group's future development. The Group will continue to look for suitable investment opportunities in the areas of financial services, high-end manufacturing, environmental protection and energy conservation, new energy and innovative technology industries as well as property investment and development, strengthen strategic partnerships with domestic and foreign partners to grasp the strategic opportunities of the "One Belt and One Road Initiative", establish a broader business comprising domestic and overseas operations, actively respond to challenges and enhance profitability.

I would like to extend my heartfelt appreciation to my fellow board members, management team and all staff members for their diligent work, loyal service and outstanding contributions to the Group over the past year, and also to express my sincere gratitude to the shareholders and stakeholders for their trust and support.

Yao Jianhui
Chairman

Hong Kong, 9 March 2018

Management Discussion and Analysis

OVERVIEW

For the year ended 31 December 2017, the Group achieved a full-blown business growth with revenue up 183.8% to approximately HK$2,825.3 million. Profit attributable to equity holders of the Company increased significantly by 86.3% to HK$869.2 million. With the opening of "Shanghai-Hong Kong Stock Connect", "Shenzhen-Hong Kong Stock Connect" and "Bond Connect ", the capital markets of PRC and Hong Kong are further interconnected. The Group has successfully seized the business opportunities, as well as the restructuring and economic transformation brought by the PRC market. As a result of the forward-looking strategic deployment of the management, the Group has recorded satisfactory performances in the annual results of every segment of the Group.

During the year, by pursuing value-added and diversified strategies, the Group actively implemented better resources allocation to high- potential segments, with a focus on automation, financial services, manufacturing, property investment and development and securities investment.

BUSINESS REVIEW

Automation

The revenue derived from the automation segment increased by 10.7% to approximately HK$613.0 million (2016: HK$553.7 million), accounting for 21.7% of the Group's total revenue (2016: 55.6%). Operating profit contributed by this segment amounted to approximately HK$34.2 million (2016: HK$32.6 million). Through its subsidiary, Gallant Tech, this segment of business provides internationally advanced integrated smart manufacturing, smart factories, smart inventory and manufacturing equipment and solutions for PRC's electronics manufacturing industry, and offers full-services, including consultation, training, spare parts, application services support and leasing of equipment to the industry. As a major market distributor of smart phone manufacturing equipment and manufacturing lines, as well as a supplier of technology solutions, Gallant Tech constantly provides advanced products and quality services to meet the needs of its customers, and hence strengthens the Group's advantages in the industry. With the rapid development of the 5G wireless communication technology business, the demand from the customers for the Group's automation equipment and services will further increase, and it is believed that the sector will achieve great development in the future.

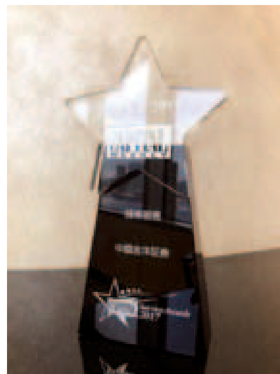
Financial Services

The revenue from the financial services segment increased by 71.5% to approximately HK$145.8 million, accounting for 5.2% of the Group's total revenue (2016: HK$85.0 million). Operating profit generated from this segment amounted to approximately HK$64.4 million (2016: HK$50.6 million). The Group provides a comprehensive financial services platform, through Goldjoy Holding Limited to further step into the innovative financial technology and expand its mobile service platform, rendering better synergies within the Group through cross-selling. In 2017, the global financial markets have achieved significant positive progress. In particular, the Hong Kong capital market, as stimulated by the soaring popularity of new shares and stocks of the emerging economy, has resulted in an upward rally. With the participation of funds and insurance funds from Mainland China, revenue and profit of the business segment had increased accordingly.

The below summarize the business review of individual subsidiaries of Goldjoy Holding:

China Goldjoy Securities Limited ("CGSL") holds major financial service licenses under the Securities and Futures Ordinance of Hong Kong for conducting Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. During the year, CGSL increased its transactions in the areas of equity, loan capital market, as well as investment and provision of equity financing. Commission of brokerage services, margin interests and handling charge income were stable. Through the adoption of diversified promotional strategies, and various promotion channels such as newspapers, websites and seminars of various types, the number of customers continued to grow. During the year, CGSL received a number of awards.

CGSL won the "Outstanding Securities Trading Platform" of "FINTECH AWARDS 2017" organized by "Etnet" in January 2018



CGSL won the "Securities Services Award" of the 10th "Service Awards 2017" organized by "Capital Weekly" in July 2017

China Goldjoy Asset Management Limited ("CGAML") successfully launched the "Goldjoy Brilliant Fund SP" in the third quarter of 2017, and established two new funds in early 2018. As of the date of this report, six funds are under its management, representing an increase in assets under management (AUM) over last year. Such private equity funds have adopted different investment strategies to meet risk-return profile of different investors. The Group will proactively grasp the pulse of the times and opportunities in emerging industries. In the future, the Group will focus on smart manufacturing, new energy, environmental protection and energy saving, as well as bio-pharmaceutical industries, while actively looking for local and overseas partners to develop its fund management business at the same time.

CGAML won the "Excellence Brand of Asset Management" of "Hong Kong Leaders Choice 2017" organized by "Hong Kong Metro Finance" in February 2017

China Goldjoy Bullion Limited ("CGBL") holds a valid business licence for Type A1 transactions (Member No.: 121) issued by The Chinese Gold & Silver Exchange Society (CGSE) for conducting 99% gold bullion, Hong Kong Dollar kilo gold bullion, London Gold and London Silver businesses. At the same time, it incorporated Shenzhen Qianhai KB Bullion Limited (深圳前海宏基金業有限公司) in the PRC to actively expand in the Greater China market, so as to provide quality and safe precious metals trading services for Hong Kong and Mainland China customers.

China Goldjoy Credit Limited ("CGCL") holds an authorized money lender license to provide loan and credit financing services in Hong Kong. It provides property and share pledged loan facilities to its customers. The income of this business has attained a rapid growth.

"iFAST Wealth Advisers Awards 2017" Ceremony

China Goldjoy Wealth Management Limited ("CGWML") was licensed by the Professional Insurance Brokers Association (PIBA) and the Mandatory Provident Fund Schemes Authority (MPFA) to carry out long-term life insurance (including investment-linked long-term insurance), general insurance (or property insurance) and MPF regulated activities, etc. It provides customers with life insurance, property insurance and pension services. During the year, a number of different departments, pursuant to the needs of business development, were newly set up, including overseas education and emigration department, trust department, corporate marketing department, real estate and overseas project department, providing a variety of products and services to customers.

In addition to Hong Kong financial market, the Group also strives to grasp the tremendous potential for the growth in both the domestic and overseas financial markets. The Group has successively obtained a private equity fund license in Shanghai and a Qualified Foreign Limited Partner ("QFLP") license in Qianhai, Shenzhen, Gangdong Province of PRC, which allows foreign institutional investors, upon the grant of an approval for qualification check and foreign exchange procedure, to convert foreign capital into funds in Renminbi for the investment in private equity and venture capital markets in the PRC.

Shanghai Hunlicar Investment Management Company Limited ("Hunlicar Capital"), a wholly-owned company of China Goldjoy Investment Limited, holds five private equity investment ("PE") funds during the year. Hunlicar Capital is a private equity investment fund management company in PRC that participates in different asset classes, including bonds, currencies, shares, commodities and derivatives.

Hunlicar Capital won the "PE fund with Greatest potential" prize of 2017 "Eastmoney Award"

Manufacturing

This segment recorded a revenue of approximately HK$122.9 million for the year (2016: HK$58.1 million), which increased by 111.5% over last year, and accounted for 4.3% of the Group's total revenue (2016: 5.8%). This segment resulted in an operating loss of approximately HK$61.0 million (2016: loss of HK$35.1 million) for the year. The business comprises revenue of approximately HK$120.7 million (2016: HK$37.4 million) from the new energy industry and the light emitting diode ("LED") manufacturing business. The Group operates its LED manufacturing business through its wholly-owned subsidiary Shenzhen Bao Yao Technology Co., Ltd. ("BYT"). BYT has now developed into a high-technology manufacturer for professional LED light source, OLED light source and lighting fixture integrating research and development, design, production, sales, lighting engineering, and a service provider for integrated energy saving re-construction works. During the year, by undertaking the project of "Landscape Lighting for One River, Two Coasts and Three Belts of Guangzhou", BYT received favourable recognition. At the same time, through the implementation of cost reduction measures, the cost of the segment is expected to be effectively controlled. Meanwhile, BYT will actively seize the sales opportunities and expect to receive more orders. The Group will also actively seek opportunities to strengthen its development in high-end manufacturing sectors.


LED Production line


Landscape Lighting Ceremony for "One River, Two Coasts and Three Belts of Guangzhou"

Property Investment and Development

Revenue from this segment amounted to approximately HK$1,412.7 million (2016: Nil) during the year, contributing 50.0% of the Group's total revenue. As at 31 December 2017, the Group held a number of properties in Hong Kong, some of which , situated at Lippo Centre in Admiralty, were used as the headquarters of the Group, while the rest was leased for property investment purposes. Given their superior locations and the persistent high market demand for Grade A office space, these investment properties are expected to continue to provide a steady return to the Group.

Science Park of Shenzhen B&K

Completion of the main structure of the Phase 2 of Shenzhen B&K

The Group acquired 75.5% equity interest in Shenzhen B&K in July and December of 2016. Apart from providing the Group with additional resources and support for the development of new energy and LED lighting business, Shenzhen B&K also provides the Group with the opportunities to participate in the property investment business in PRC. Shenzhen B&K holds a piece of land with a gross floor area (GFA) of approximately 120,000 square meters (sq. m) in the core area of Shenzhen Guangming New District with a GFA of approximately 427,000 sq. m under its planned floor ratio (the "Project"). The Project is carried out in three phases. The first phase covers a GFA of approximately 100,000 sq. m and is deployed as administrative office buildings, product research and development buildings and young talent apartments; the second phase covers a GFA of approximately 87,000 sq. m with development plans as offices and ancillary service facilities. The main structure of the construction has been completed and the phase is scheduled to put into use in mid-2018; the third phase covers a GFA of about 240,000 sq. m with development plans of offices and apartments for high-end talents as well as provision of services such as commercial auxiliaries and international conferences. Shenzhen B&K's project has been successfully established as a large-scale innovative science park which attracts lots of science enterprises to move into the park.

First long term branded apartment "ALL INN"

During the year, the Group has established its first long-term branded apartment through its subsidiary, Shenzhen Bangkai Commercial Property Co., Limited. Taking advantage of its edge in sectors of finance, commerce, culture and science and technology, the Group has utilized its capital, resources as well as its comprehensive strength in developing technology industry parks. It has explored an innovative path in the leasing market by using its stronger ability of resource integration, thus setting an example for transforming and upgrading stock properties in industrial parks, and promoting a healthy and sustainable development of the home rental industry.

"Century Plaza" Rendering

In the meantime, the Group has also successfully acquired Laihua Tai Sheng Limited ("Laihua Tai Sheng") in December 2017. Details of the transaction was disclosed in the announcements of the Company dated 8 September 2017, 8 December 2017 and 27 December 2017 respectively. It holds a real estate project "Century Plaza" in Ganzhou City, Jiangxi Province of the PRC, which possesses an experienced management team in property development and management. The project occupies an area of about 128,000 sq. m with total GFA of about 635,000 sq. m, comprising residential, commercial, hotel and office uses. Laihua Taisheng has become an indirect wholly-owned subsidiary of the Group and its results are consolidated into the accounts of the Group, and will provide a stronger engine for growth in this segment of the Group in the future.

Securities Investment

The revenue from the securities investment segment was approximately HK$530.9 million (2016: HK$298.8 million), accounting for 18.8% (2016: 30.0%) of the total revenue of the Group. In hope of seizing the investment opportunities in economic restructuring and upgrading and technological innovation, as well as establishing cooperative relations with relevant parties, the Group has invested in listed companies with potential and high growth capacity in PRC, Hong Kong and overseas, centering around its main investment line of livelihood and upgraded consumption. In addition to holding the shares of listed companies traded on the Hong Kong Stock Exchange, the Group has been investing in a number of leading listed and unlisted overseas technology companies, specializing in biometric security, wireless data transmission and communications technologies.

As at 31 December 2017, the Group held available-for-sale investment and financial assets at fair value through profit or loss of approximately HK$1,534.9 million and HK$953.0 million, respectively:

			As at 31 December 2017		Fair value/carrying amount	
Nature of investments	*Notes*	**Location**	**Number of shares held** *'000*	**Percentage to shareholding in such stock** *%*	**As at 31 December 2017** *HK$'000*	**As at 31 December 2016** *HK$'000*
Available-for-sale investments						
A. Listed Securities						
China Zheshang Bank Co., Ltd. – H shares		Hong Kong	207,760	5.47%	907,911	816,497
Bank of Zhengzhou Co., Ltd. – H shares		Hong Kong	72,802	4.80%	334,889	–
Shenzhen Kondarl Group Co., Ltd.		PRC	4,750	1.22%	113,989	–
Guanghe Landscape Culture Communication Co., Ltd.		PRC	2,507	1.24%	41,444	–
IDEX ASA	*(a)*	Norway	17,214	3.17%	84,364	112,986
BIO-key International Inc.	*(b)*	USA	89	1.16%	1,221	1,828
B. Unlisted Securities						
Powermat Technologies Ltd.	*(c)*	Israel	115	1.53%	20,005	20,005
Keyssa Inc.	*(d)*	USA	2,512	3.74%	27,027	27,027
Kili Technology Corporation	*(e)*	Canada	2,472	16.65%	4,000	8,434
Sub-total					1,534,850	986,777

Nature of investments	Notes	Location	Number of shares held '000	Percentage to shareholding in such stock %	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
		As at 31 December 2017			Fair value/carrying amount	
Financial assets at fair value through profit or loss						
A. Listed Securities						
Madison Holdings Group Ltd.		Hong Kong	194,280	4.86%	332,219	411,874
Landing International Development Ltd.		Hong Kong	1,220,640	0.83%	378,398	–
Huabang Financial Holdings Ltd.		Hong Kong	–	–	–	188,726
B. Funds		–	–	–	176,957	–
C. Others		–	–	–	65,386	148,301
Sub-total					952,960	748,901
Total					2,487,810	1,735,678

Notes:

(a) IDEX ASA, listed on the Oslo Stock Exchange of Norway under the ticker symbol IDEX, principally engaged in the development and sale of information technology products;

(b) BIO-key, listed on NASDAQ in the United States under the ticker symbol BKYI, specializing in advanced biometric identification solutions;

(c) Powermat Technologies Ltd., a privately owned company with headquarters in Israel that provides wireless power solutions primarily to consumers, OEMs and public places.

(d) Keyssa Inc., a private company in USA principally engaged in the development of wireless data transmission technologies;

(e) Kili Corporation, a private technology company principally engaged in the certification and secure payment software technologies for the civilian market, which holds an interest in Dream Payments Corp. ("Dream Payments") a Canadian company focusing on the development of end-to-end mobile payment processing.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2017 increased by 183.8% to approximately HK$2,825.3 million (2016: HK$995.6 million). The revenue analysis by segment is below:

	2017		2016		
	HK$' million	***Proportion to total revenue***	*HK$' million*	*Proportion to total revenue*	*% change*
Automation	**613.0**	**21.7%**	553.7	55.6%	10.7%
Financial Services	**145.8**	**5.2%**	85.0	8.6%	71.5%
Manufacturing	**122.9**	**4.3%**	58.1	5.8%	111.5%
Property Investment and Development	**1,412.7**	**50.0%**	–	–	N/A
Securities Investment	**530.9**	**18.8%**	298.8	30.0%	77.7%
	2,825.3	**100%**	995.6	100%	183.8%

During the year ended 31 December 2017, each of the segments has recorded a double-digit percentage increase in revenue. The Property Investment and Development became the major source of revenue of the Group, accounting for 50.0% of the total revenue, contributed mainly by disposal of completed properties held for sales. The Automation and Securities Investment segments also contributed 21.7% and 18.8% of revenue respectively. The Manufacturing and Financial Services segments have picked up its pace and each of which approximately contributed over HK$100 million of revenue during the year.

Gross Profit and Margin

Gross profit for the year improved by a marked 84.1% to approximately HK$871.3 million (2016: HK$473.4 million), while gross profit margin decreased to 30.8% (2016: 47.5%). The change was mainly caused by the lower gross profit margin of property development which set-off the higher gross profit margin of securities investment and financial services segment.

Other Gains – Net

The net other gain for the year amounted to approximately HK$4.6 million (2016: HK$0.3 million). The net other gain was mainly due to the net effect of gain on disposal of an associate of approximately HK$25.0 million gain on disposal of property, plant and equipment and intangible assets of approximately HK$9.1 million and increase in impairment loss on other receivables and available-for-sale financial assets.

Other Income

The net other income increased by approximately HK$36.2 million to approximately HK$115.3 million (2016: HK$79.1 million), mainly because of the net effect of increase in dividend income from securities investments of approximately HK$28.5 million to HK$60.0 million (2016: HK$31.5 million), and decrease in consultancy fee approximately income of approximately HK$3.0 million to HK$32.2 million (2016: HK$35.2 million).

Distribution Costs

Distribution costs remained stable compared to 2016, at approximately HK$28.8 million (2016: HK$22.1 million), accounting for 1.02% (2016: 2.22%) of total revenue.

Administrative Expenses

Administrative expenses increased by approximately HK$65.4 million to approximately HK$240.3 million (2016: HK$174.9 million), mainly due to the increase in staff salaries and directors' emolument by HK$29.8 million caused by increase in workforce, increase in depreciation and amortisation by HK$29.3 million and increase in rental, travel and entertainment expenses by HK$6.3 million due to the expanded company operation.

Finance income – Net

Net finance income was approximately HK$10.7 million (2016: HK$19.9 million). The decrease in net finance income was because of the net effect of the increase in bank borrowings balances throughout 2017 as compared to that of in 2016 after taking into account income arising from adjustment on put option liabilities in relation to acquisition of subsidiaries in 2016 of HK$14.4 million.

Income Tax Expense

Income tax expense decreased by approximately 17.3% to approximately HK$161.5 million (2016: HK$195.2 million) because of the deferred tax expenses in relation to revaluation of properties decreased substantially and increase in taxable profits as a result of better financial performance recorded during the year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company increased significantly by 86.3% to approximately HK$869.2 million, (2016: HK$466.6 million). The increase was mainly due to the Group's gain on bargain purchase of a newly acquired subsidiary and its recognition of sales of completed properties; an increase in gain from short-term securities investment; an increase in dividend income, which was offset by a decrease in fair value gain of investment properties; an increase in distribution costs and administrative expenses due to expanded group operations; a decrease in finance income and share of losses of associates.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

By adopting a prudent financial management approach, the Group continued to maintain a healthy and solid liquidity position. As at 31 December 2017, the Group's cash and cash equivalents totaled approximately HK$2,231.4 million (2016: HK$1,535.6 million, excluding balance transferred to assets classified as held-for-sale). Working capital represented by net current assets amounted to approximately HK$3,602.3 million (2016: HK$2,338.7 million). Current ratio was approximately 2.4 (2016 : 2.7).

Borrowings of the Group as at 31 December 2017 included corporate bonds of approximately HK$31.8 million (2016 : Nil), trust receipt loans of approximately HK$88.0 million (2016: HK$98.5 million) and bank loans of approximately HK$506.1 million (2016: HK$681.0 million). These bank borrowings were secured by corporate guarantees provided by the Company and certain of its subsidiaries and secured by building with carrying amounts of approximately HK$262.3 million and investment properties with carrying amounts of approximately HK$495.0 million. As at 31 December 2017, the Group was in a net cash position of approximately HK$1,605.5 million (2016: HK$756.1 million).

Capital Commitments

As at 31 December 2017, the Group had contracted but not provided for capital commitments of approximately HK$0.6 million (2016: HK$2.1 million), HK$156.0 million (2016: HK$145.0 million) and HK$556.4 million (2016: Nil) relating to the additions of property, plant and equipment, investment properties and property development expenditures respectively.

Currency Exposure and Management

During the year, the Group's receipts were mainly denominated in Hong Kong dollars, Renminbi, and US dollars. The Group's payments were mainly made in Hong Kong dollars, Renminbi and US dollars.

As the Group's production process of the Manufacturing segment and business of the Automation segment are located in PRC, most of its labour costs and manufacturing overheads were denominated in Renminbi. As such, fluctuation of the Renminbi exchange rate will have an impact on the Group's profitability. The Group will closely monitor the movements of Renminbi and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the year under review, the Group had not entered into any foreign exchange forward contracts.

Future plans for capital investment and expected source of funding

The Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow and shareholders' equity, and to an extent by bank borrowings. The Group has sufficient resources and unutilised banking facilities to meet its capital expenditure and working capital requirement.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing of new shares in October 2017

On 25 October 2017, the Company entered into a subscription agreement with an independent subscriber, pursuant to which an aggregate of 862,068,000 Company's shares have been allotted and issued to the subscriber at the subscription price of HK$0.58 per share. The proceeds from the subscription were approximately HK$499,999,440.

The 862,068,000 shares represent approximately 3.89% of the issued share capital of the Company at the date of the agreement and approximately 3.75% of the issued share capital of the Company as enlarged by the issue of the shares. Details of the transaction is disclosed in the announcement of the Company dated 25 October 2017.

As at the date of this report, the net proceeds of approximately HK$499,899,440 (net of transaction costs and related expense of HK$100,000) have been fully utilised as intended.

Placing of new shares in December 2017

On 3 December 2017, the Company entered into another subscription agreement with three independent subscribers, pursuant to which an aggregate of 2,857,140,000 Company's shares would be issued and alloted to the three subscribers at a subscription price of HK$0.63 per share. The proceeds from the subscription were approximately HK$1,799,998,200.

The 2,857,140,000 shares represent approximately 12.42% of the issued share capital of the Company as at the date of the agreement and approximately 11.04% of the issued share capital of the Company as enlarged by the issue of the shares. Details of the transaction is disclosed in the announcement of the Company dated 3 December 2017.

As at the date of this report, the net proceeds of approximately HK$1,799,898,200 (net of transaction costs and related expense of HK$100,000) have been fully utilised as intended.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 735 (2016: 400) full-time employees mainly in Hong Kong and the PRC. The Group remunerates and provides benefits to its employees based on current industry practice. Discretionary bonuses are awarded to staff members based on the financial performance of the Group and performance of individual employees.

In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme adopted on 24 November 2010. With the approval of the shareholders at the annual general meeting held at 12 May 2017 and other requirements prescribed under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were met, the scheme mandate limit was refreshed.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are discussed in this section. There may be other risks and uncertainties in addition to those shown below, which are not known to the Group or which may not be material now but which could become material in the future. Furthermore, risks can never be eliminated completely due to inherent limitations in measures taken to address them. Also, risks may be accepted for strategic reasons or if it is deemed not cost-effective to mitigate them.

Operational Risk

Operational risk is the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, people and systems. Responsibility for managing operational risks in the Group rests with every function at both divisional and departmental levels.

Key functions in the Group are guided by standard operating procedures, limits of authority and a reporting framework. The Group will identify and assess key operational exposures and report such risk issues to senior management as early as possible so that appropriate risk responses can be taken.

Industry Risk

The financial services business of the Group is subject to extensive regulatory requirements, which the operating subsidiaries of the Group are required to be licensed for the regulated activities under the Securities and Futures Ordinance. In this regard, the Group is required to ensure continuous compliance with all applicable laws, regulations and guidelines and satisfy the relevant regulatory authorities that we remain fit and proper to be licensed. If there is any change or tightening of the relevant laws, regulations and guidelines, it may materially and adversely affect our ability to continue to carrying out the business. In addition, if we fail to comply with the applicable rules and regulations from time to time, we may face fines or restrictions on our business activities or even suspension or revocation of some or all of our licenses for operating the financial services business. Furthermore, the financial services business, like all other businesses of the Group, is not immune from market changes. Any downturn in the finance market may also adversely affect the financial services business of the Group.

The Automation and Manufacturing businesses of the Group operate in highly competitive industry sectors. The Group faces competition from global technology companies and rapid technological change, which may render technologies developed and employed by the Group obsolete. As such, the Group's products may not be able to compete effectively with those of its rivals, adversely affecting its ability to maintain its market share. Failure to maintain the Group's competitive position may materially adversely affect the results and profit margins of these business segments.

The securities investment business of the Group is affected by market conditions and fluctuations in the prices of the securities held by the Group. Any significant downturn in the securities market may affect the mark to market value of the Group's securities investments and may adversely affect the results of the Group's.

Financial Risk

In the course of its business activities, the Group is exposed to various financial risks, including market, liquidity and credit risks. The currency environment and interest rates cycles may significantly affect the Group's financial condition and results of operations.

The Group's earnings and capital or its ability to meet its business objectives may be adversely affected by movements in foreign exchange rates, interest rates and equity prices. In particular, any depreciation in the Group's functional currency may affect its gross profit margin. The Group closely monitors the relative foreign exchange positions of its assets and liabilities and allocates its holdings of different currencies accordingly in order to minimise foreign currency risk.

The Group may also be subject to liquidity risk if it is unable to obtain adequate funding to finance its operations. In managing liquidity risk, the Group monitors its cash flows and maintains an adequate level of cash and credit facilities to enable it to finance its operations and reduce the effects of fluctuations in cash flows.

The Group is also subject to exposure to credit risk from its customers. New customers are subject to credit evaluation while the Group continues to monitor its existing customers, especially those with repayment issues. Cash is deposited with creditworthy banks with no recent history of default.

Manpower and Retention Risk

The competition for human resources in the countries that the Group operates in may result in the Group not being able to attract and retain key personnel with the skills, experience and levels of competence which meet its requirements. The Group will continue to provide remuneration packages and incentive plans which enable it to attract, retain and motivate suitable candidates and personnel.

Business Risk

The Group constantly faces the challenge of gauging and responding promptly to market changes within the industry sectors it operates in. Any failure to interpret market trends properly and adapt its strategy to such changes accordingly may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

BUSINESS OUTLOOK

With the business transformation completed, the Group is better positioned itself to expand its businesses actively in the future in order to achieve business diversification. Towards this end, during the year under review and as at the date of this report, the Group had successfully raised capital of approximately HK$2,300 million. Apart from the repayment of bank loans and as general working capital, most of the fund will be utilised for the expansion of existing businesses including the allocation of additional resources in areas such as financial services, property investment and development as well as securities investment in an attempt to achieve more significant business growth. The Group has also been actively seeking suitable investment opportunities to leverage on its business advantages so as to explore more future business possibilities for the Group.

In view of the favourable growth potential in the financial services market in the Greater China region along with a further increase in interest to invest in the Hong Kong financial markets through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in PRC in recent years, the Group's "full-license comprehensive" subsidiary, Goldjoy Holding will further promote its securities trading and corporate finance services in Hong Kong. To capture the immense opportunities arising in Mainland China, Goldjoy Holding plans to establish footholds in Beijing and Nanning, Guangxi in 2018 with an aim to open up markets in Eastern China, Northern China and Western China. Besides, the Group will continue its efforts in enriching and optimizing its business portfolio as well as enhancing its sales and trading capacity, in order to provide its customers with more comprehensive and diversified financial services. For the bond market, with its team of investment professionals in the debt capital market, the Group is committed to providing better services to its corporate and government clients in Hong Kong and PRC. Further, benefitting from the intense attention of Mainland China investors to the Hong Kong financial market, the trading volume and the number of new customers of the financing services business of institutional clients shall increase significantly. The Group will strive to further expand its debt financing and mergers & acquisitions transactions businesses in the future.

As for the automation segment, the demand for new automated production lines from the electric vehicle manufacturing industry, 5G wireless communication technology business and consumer electronic products are expected to increase further. Therefore, the Group is cautiously optimistic about the growth of the automation business in the future. Furthermore, Gallant Tech will continue to actively develop its businesses towards the direction of combining the business of finance leasing and financial market, and provide finance leasing services of high-end manufacturing and large-scale equipment through its Shenzhen Gallant Tech Finance Leasing Co., Limited. The finance lease business will further expand its scale and improve its services so as to enhance its competitiveness. Looking ahead, Gallant Tech will seize the opportunities under the intelligent and high-end development trend of the manufacturing industry in PRC to strive for greater market share through sustainable development and become one of the Group's steady sources of revenue.

Since 2016, the Group has been actively developing the new energy business including but not limited to LED lighting. Apart from the LED light installation work within the private sector, the Group has also been actively undertaking projects within the public sector in PRC. During the year, the LED lighting business entered a period of rectification. With the change in management and strengthened cost control, the overall future prospects of the LED lighting business is optimistic, and its future performance is expected to be further improved. In addition, with its leading research and development and manufacturing capabilities along with the intensive roadshows and exhibition promotions of the Group, an increase in orders from both domestic and oversea markets is foreseeable in the future.

While the performance of the real estate markets in PRC and Hong Kong remain favourable, the Group will continue to capture investment and development opportunities in both property markets, and position the property investment and development business as one of its major focuses. Benefiting from the continuous increase in real estate prices in Hong Kong, the rental revenue of its investment properties in Grade A commercial buildings in Admiralty has also risen steadily. Furthermore, Phase I of the B&K Town in Guangming, Shenzhen was established as rental housing during the year. The first long-term rental apartment brand,"All Inn", launched 1,000 units of"Joyful Talent Apartments"to provide its tenants with a smart community style of apartments with centralized management, comprehensive life services and interactive platforms. The office buildings in Phase II are expected to start operation in 2018, while Phase III is still under development with satisfying progress. Moreover, during the year, the Group acquired LaiHua TaiSheng, which holds the property development project,"世紀城"(Century Plaza*), in Zhangjiang New District, Ganzhou City, Jiangxi Province of PRC. It is expected that the Group will benefit from the value growth from the sale and leasing of the properties, which helps create a strong growth momentum for this business sector.

Besides, the Group has been actively striving to match its strategy with the national strategy of "One Belt and One Road Initiative," expanding the market in South Asia and Southeast Asia to go international. In February 2018, the Group established a joint venture with companies including Yunnan Energy Investment (HK) Co., Limited ("Yunnan Energy"). Such joint venture will engage in the investment in projects related to clean energy, finance and health, investment management, development of new energy and financial services. Yunnan Energy Investment Group is a significant state-owned enterprise in Yunnan, the PRC and owns 100% of Yunnan Energy. With Yunnan Energy Investment Group's stated-owned background and its industrial background, the Group shall be able to enter the electricity and new energy sectors. It will also help to broaden the Group's industrial chain and establish a foundation of cooperation for the Group with other major stated-owned capitals in the future.

The Group will pay close attention to the market conditions and remain optimistic to the capital market, and will continue to look for investment opportunities in financial services, properties investment and development, the high-end manufacturing as well as new energy and new technologies industries, with an aim to generate favourable return for shareholders.

Directors and Key Personnels

EXECUTIVE DIRECTORS

Mr. Yao Jianhui (姚建輝), aged 46, is the Group's Chairman and Chief Executive Officer and was appointed as an Executive Director of the Company on 3 August 2015, and he also served as a director of several subsidiaries of the Company. He is also the Chairman of each of the Nomination Committee, Strategic Committee and Investment Committee of the Company, and a member of the Remuneration Committee. He graduated from the South China University of Technology in PRC with a postgraduate (part-time) diploma in business administration. Mr. Yao has held senior management positions with a number of enterprises and a listed company across a wide range of industries, including food, construction materials, real estate, commerce, agriculture and forestry, logistics, technology and finance. From March 2002 to March 2003, Mr. Yao acted as the executive vice president of 深圳市寶能投資集團有限公司 (Shenzhen Baoneng Investment Group Co., Ltd*), a conglomerate principally engaged in real estate, logistics, cultural tourism and financial business. From March 2003 to July 2010, he was the executive deputy general manager, general manager and chairman of the board of directors of Shenzhen Shum Yip Logistics Group Holdings Co., Ltd. (深圳深業物流集團股份有限公司), a company principally engaged in the provision of logistics services, product exhibition and trading and micro-lending. From July 2010 to October 2014, Mr. Yao acted as the general manager and chairman of the board of directors of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (stock code: 600892), a company listed on Shanghai Stock Exchange and is principally engaged in the manufacturing of cables, hotel and trading business. From June 2006, he has been the chairman of the board of directors of Baoneng Holding (China) Co., Ltd. (寶能控股(中國)有限公司), a company principally engaged in property development.

Mr. Yao is a representative of the Sixth Shenzhen Municipal People's Congress, a People's Representative of the Seventh Session of Luohu District, Shenzhen, vice president of Shenzhen Entrepreneur Association, vice president of Shenzhen Logistics and Supply Chain Management Association and honourable president of Shenzhen Luohu Charity Federation.

Mr. Li Minbin (李敏斌), aged 37, is the Group's Vice President and was appointed as a Non-Executive Director of the Company on 3 August 2015 and further re-designated as an Executive Director on 27 November 2015, and he served as a director and general manager of several subsidiaries of the Company. He is also a member of each of the Strategic Committee and Investment Committee of the Company. He obtained the Master degree of Business Administration from the Chinese University of Hong Kong.

Mr. Li has rich experience in operation and management of logistics, real estate, investment and financial industries. From July 2004 to July 2010, he served as the assistant to manager of the investment department of Shenzhen Shum Yip Logistics Group Holdings Co., Ltd. (深圳深業物流集團股份有限公司). From December 2007 to October 2008, he served as the manager of the securities department of 深圳市寶能投資集團有限公司 (Shenzhen Baoneng Investment Group Co., Ltd*), a conglomerate principally engaged in real estate, logistics, cultural tourism and financial business, responsible for investment research and securities management businesses. From July 2010 to March 2014, he served as the supervisor, assistant to general manager and representative of securities affair, and from March 2014 to March 2016, as director and secretary to the board of directors of Baocheng Investment Co., Ltd. (寶誠投資股份有限公司) (stock code: 600892), a company listed on the Shanghai Stock Exchange.

* For identification purpose only

Mr. Zhang Chi (張弛), aged 29, was appointed as an Executive Director of the Company on 13 July 2017. He is also a member of each of the Strategic Committee and Investment Committee of the Board of the Company. Mr. Zhang graduated with a Bachelor degree in Law from the Shenzhen University in PRC. He also obtained a Master degree of Science in Management from New York University in the USA. Mr. Zhang has relevant experience in fund investment. From January 2013 to June 2013, Mr. Zhang served as an officer in the investment department in 深圳思創科技發展有限公司 (Shenzhen Sichuang Technology Development Co. Ltd.*), a company principally engaged in the development and production of computer software and the design of computer network. From September 2015 to present, Mr. Zhang was employed by 深圳市創新投資集團有限公司 (Shenzhen Creative Investment Group Limited*), a company principally engaged in the provision of services on business start-ups, and served as an intern in the fund management headquarter from September 2015 to April 2016, as an officer in the fund management headquarter since April 2016 and as an investment manager in a management headquarter managing a Government Guide Fund since October 2016.

NON-EXECUTIVE DIRECTOR

Mr. Huang Wei (黃煒), aged 43, was appointed as an Executive Director of the Company on 3 August 2015 and further re-designated as a Non-Executive Director on 27 November 2015. He is also a member of the Audit Committee of the Company. He obtained a Master degree in economics and graduated from the Hunan University in PRC. Mr. Huang has over 20 years of experience in investment and financing industries. From August 2002 to November 2004, he served as the vice manager of the department of personal housing loan; from November 2004 to September 2008, as the vice general manager of the corporate financing management centre, from September 2008 to February 2012, as the general manager of the department of corporate financing management and from January 2013 to December 2013, as the general manager of the department of institutional banking of Shenzhen branch, Industrial and Commercial Bank of China. Since December 2013, he has served as the senior vice president of 深圳市寶能投資集團有限公司(Shenzhen Baoneng Investment Group Co., Ltd*), a conglomerate principally engaged in real estate, logistics, cultural tourism and financial business.

* For identification purpose only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Bong (王振邦), aged 59, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is also a chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee of the Company. Mr. Wong has held a range of positions relating to the provision of assurance, taxation, accounting and financial management services, which the Company believes will enhance in the overall financial control and management of the Group. Mr. Wong holds a higher diploma in Accountancy from The Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University. Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is also a member of both the Council and Court of The Hong Kong Polytechnic University. He is the ex-Chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. Mr. Wong is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England and Wales.

Professor Lee Kwok On, Matthew (李國安), aged 58, PhD, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Strategic Committee of the Company. He is the Vice-President (Development & External Relations) and Chair professor of Information Systems & E-Commerce at the City University of Hong Kong. Professor Lee is the Chairman of Hong Kong Committee for Pacific Economic Cooperation. He is an independent non-executive director of Computer and Technologies Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 0046). Professor Lee holds a first-class honours Bachelor degree in electronic engineering and a MBA degree in Business Studies from the University of Sheffield in the United Kingdom, a MSc degree in Computation from the University of Oxford in the United Kingdom, a PhD degree in Computer Science from the University of Manchester in the United Kingdom, a LLB degree and a LLM degree in Commercial & Corporate Law from the University of London in the United Kingdom. He is a Chartered Engineer of the UK Engineering Council, a professional member of the British Computer Society. Professor Lee has been admitted as a barrister-at-law in Hong Kong and England & Wales.

Mr. Lee Kwan Hung (李均雄), aged 52, was appointed as an Independent Non-Executive Director of the Company on 27 November 2015. He is also a member of the Nomination Committee of the Company. He received his Bachelor of Laws (Honors) and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. From December 1992 to April 1994, Mr. Lee worked in the Listing Division of the Hong Kong Stock Exchange, where he successively served as a manager and a senior manager, and was a partner of Woo, Kwan, Lee & Lo from April 2001 to February 2011. Mr. Lee is currently a consultant at Howse Williams Bowers. He serves as an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Embry Holdings Limited (Stock Code: 1388) since November 2006, NetDragon Websoft Holdings Limited (Stock Code: 777) since October 2007, Asia Cassava Resources Holdings Limited (Stock Code: 841) since January 2009, Newton Resources Ltd. (Stock Code: 1231) since December 2010, Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) since August 2011, China BlueChemical Ltd. (Stock Code: 3983) since June 2012, Landsea Green Properties Co., Ltd. (Stock Code: 106) since July 2013, Red Star Macalline Group Corporation Ltd. (Stock Code: 1528) since February 2015, FSE Engineering Holdings Limited (Stock Code: 331) since November 2015 and Ten Pao Group Holdings Limited (Stock Code: 1979) since November 2015.

In the previous three years, Mr. Lee was also an independent non-executive director of Walker Group Holdings Limited (Stock Code:1386) from February 2011 to April 2016 and Futong Technology Development Holdings Limited (Stock Code: 465) from November 2009 to November 2017.

KEY PERSONNELS

Mr. Chan Sai Yan (陳世寅), aged 43, was appointed as the Chief Financial Officer and Company Secretary of the Group on 13 November 2017. Mr. Chan holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University, a Master degree in Business Administration and a Master of Arts degree in Philosophy from the Chinese University of Hong Kong, as well as a Master of Social Science degree in Applied Psychology from the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountant, fellow member of both the Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong, and a Certified Tax Advisor (Hong Kong). He has over 20 years of experience in professional accounting, financial management, business analysis and investments. Prior to joining the Group, he has worked in several sizeable Hong Kong listed groups and served senior executive roles in finance and company secretarial functions.

Mr. Cheung Lit Wan Kenneth (張烈雲), aged 51, is the Director of Goldjoy Holding Limited. Mr. Cheung is responsible for managing the financial services platform of the Group. Mr. Cheung has over 21 years of experience in investment on securities, wealth management, asset management and financial products. He is the founder of the China Goldjoy Securities Limited (formerly known as Hunlicar Securities Limited and China Yinsheng Securities Limited respectively) since year 1998. He was a member of the Hong Kong Securities and Investment Institute and was licensed by the Securities and Futures Commission of Hong Kong as Type 1 Responsible Officer from 2003 to 2009.

Mr. Kam Yun Kwong, Dick (甘潤光), aged 53, is the founder of Gallant Tech Limited which was established in 2006. Mr. Kam joined the Group in January 2012. Mr. Kam is currently the General Manager of Gallant Tech Limited and is responsible for driving the business of the Group's Automation platform. Mr. Kam has over 23 years of experience in equipment distribution business and has developed very strong business network in PRC with sound knowledge in surface mount technology ("SMT") and electronics assembly process. He was the General Manager in American Tec Co Ltd. (which is a subsidiary of North Asia Strategic Holdings Ltd. which is listed in Hong Kong GEM board (Stock Code: 8080), before the setup of his own business. Mr. Kam obtained a Higher Certificate in Electronic Engineer from the Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University. He was granted an IMBA degree from the Victoria University of Wellington in New Zealand.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2016 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Director Mr. Zhang Zhi	Appointed as an executive director of the Company on 13 July 2017.
Independent Non-executive Director Mr. Lee Kwan Hung	Resigned as an independent non-executive director of Futong Technology Development Holdings Limited (Stock Code: 465) on 18 November 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Key Personnels".

Report of the Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of China Goldjoy Group Limited and its subsidiaries for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 10 to the consolidated financial statements.

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2017 are provided in the section headed "Chairman's Statement" on pages 6 to 7 and the section headed "Management Discussion and Analysis" on pages 8 to 23 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2017 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 23 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 67 to 69.

The Board recommends the payment of a final dividend of HK0.51 cent per ordinary share for year ended 31 December 2017 (2016: HK0.32 cent) to shareholders whose names appear on register of members of the Company on Monday, 21 May 2018. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Friday, 11 May 2018, the said final dividend will be paid in cash on or around Tuesday, 5 June 2018. Details of dividend for the year ended 31 December 2017 are set out in Note 36 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) *for determining eligibility to attend and vote at the 2018 annual general meeting:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Monday, 7 May 2018
Closure of register of members:	Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive)
Record Date:	Friday, 11 May 2018

(b) *for determining entitlement to the proposed final dividend:*

Latest time to lodge transfer documents for registration:	4:30 p.m., Wednesday, 16 May 2018
Closure of register of members:	Thursday, 17 May 2018 to Monday, 21 May 2018 (both days inclusive)
Record Date:	Monday, 21 May 2018

In order to be eligible to attend and vote at the 2018 annual general meeting and to qualify for the proposed final dividend , all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer from(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the consolidated financial statement, and restated as appropriate, is set out on the inside front cover. This summary does not form part of the consolidated financial statements.

DONATIONS

During the year ended 31 December 2017, the Group made external donations of approximately HK$50,000 (2016: HK$100,000).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the placing of new shares under general mandate mentioned above, neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 45 and Note 25 respectively, to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$2,114.8 million (2016: HK$799.6 million), of which HK0.51 cent dividend (2016: HK0.32 cent) has been proposed for the year. Under the Companies Law, the share premium account of the Company of approximately HK$3,694.2 million as of 31 December 2017 (2016: HK$2,396.0 million) is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 5.5% (2016: 24.9%) of the Group's revenue and 25.2% (2016: 84.5%) of the Group's purchases, were attributable to the Group's five largest customers and five largest suppliers, respectively; and 1.5% (2016: 7.6%) of the Group's revenue and 11.2% (2016: 36.2%) of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors
Mr. Yao Jianhui *(Chairman)*
Mr. Li Minbin
Mr. Zhang Chi *(appointed on 13 July 2017)*
Mr. Shao Zuosheng *(resigned on 13 July 2017)*

Non-Executive Director
Mr. Huang Wei

Independent Non-Executive Directors
Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

The biographical details of the current Directors of the Company are set out on pages 24 to 27 of the annual report and can be found on the Company's website.

DIRECTORS' SERVICE CONTRACTS

All of the executive Directors and non-executive Director had respectively entered into a service contracts with the Company. Details of the service contracts include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the contracts shall be terminated according to the terms of each contract.

Each of the independent non-executive Directors had signed a letter of appointment with the Company. Details of the letter of appointments mainly include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the letter of appointment shall be terminated according to the terms of each letter of appointment.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 46 and 32, respectively to the consolidated financial statements.

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities and performance and the Group's results.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2017, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares and underlying shares of the Company

Name of director	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Yao Jianhui *(Note)*	Interest in controlled corporation	10,771,835,600	43.65%
	Beneficial owner	44,468,000	0.18%

Note: Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,771,835,600 shares in the Company.

Save as disclosed above, as of 31 December 2017, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in or sustain or about the execution of the duties of their office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2017, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Tinmark Development Limited	Beneficial owner	10,771,835,600	43.65%
前海人壽保險股份有限公司	Beneficial owner	4,219,560,000	17.10%
Taiping Assets Management (HK) Company Limited (Note 1)	Investment Manger	4,219,560,000	17.10%
China Huarong Asset Management Co., Ltd. (Note 2)	Security interest in the shares in controlled corporation	8,200,000,000	33.22%

Note 1: Taiping Assets Management(HK) Company Limited is an investment manager of 前海人壽保險股份有限公司, and is thus deemed to be interested in such Shares.

Note 2: Summit Sail Limited has securities interest in 6,300,000,000 shares and Bloom Right Limited has securities interest in 1,900,000,000 shares.

The interest of these 2 corporations is controlled by China Huarong Asset Management Co., Ltd. which is deemed to be interested in such Shares.

Save as disclosed above, as of 31 December 2017, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2017, the Group employed approximately 735 (2016: 400) full-time staff principally in Hong Kong and the PRC.

The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonuses are awarded to staff based on the financial performance of the Group and performance of individual staff.

In addition, share options are granted to eligible employees in accordance with the terms of the Company's share option scheme (as detailed in the paragraph headed "Share Option Scheme" below).

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 32 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution in writing passed by the shareholders of the Company on 24 November 2010, for the purpose of providing incentive or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company and to enable the Group to recruit and retain employees of high calibre. The Scheme became effective on 24 November 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

(i) Full-time or part-time employees; and

(ii) Full-time or part-time executive directors and independent non-executive directors of any member of the Group.

With the approval of the Shareholders at the Annual General Meeting held at 12 May 2017 and other requirements prescribed under the Listing Rules were met, the Scheme Mandate Limit was refreshed.

Share options previously granted under the Share Option Scheme and/or any other share option scheme(s) of the Company, including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or such other schemes of the Company will not be counted for the purpose of the refreshment.

As of the date of this report, the total number of shares of the Company available for issue under the refreshed Scheme is 2,214,859,810, representing approximately 8.56% of the issued share capital of the Company as of the date of this report.

The total number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Scheme (including exercised, cancelled and outstanding options) to each eligible person, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such eligible persons and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-Executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of such grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

The offer of a grant of share options may be accepted by the date specified in the offer letter, upon payment of a nominal consideration of HK$1 by the grantee.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

Upon acceptance, the date of grant of any particular option is deemed to be the date of the Board resolution approving the grant in accordance with the Scheme. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination in accordance with the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by the shareholders.

Change of details of share option scheme as at 31 December 2017 are as follow:

	Number of options (in thousands)						
	Held at 1 January 2017	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Held at 31 December 2017	Exercise price per share HK$	Exercised period
Employees	2,000	–	–	(2,000)	–	0.420	17 June 2013 to 16 June 2023
Total	2,000	–	–	(2,000)	–		

Save as disclosed above, no share options of the Company were granted, exercised, cancelled or lapsed during the year.

CONTINUING CONNECTED TRANSACTIONS

On 4 July 2016, China Goldjoy Securities Limited ("China Goldjoy Securities"), an indirect subsidiary of the Company, entered into a Margin Financing Service Agreements with Mr. Cheung Lit Wan, Kenneth, Ms. Lam Oi Chun and their associates (who are considered to be a connected person by virtue of being a director of Company's subsidiaries of the Company), for provision of margin financing services on normal commercial terms and at rates comparable to rates offered to other customers of China Goldjoy Securities who are independent third parties from time to time.

On 17 February 2017, China Goldjoy Securities entered into the Supplemental Margin Financing Service Agreements to raise the aggregated maximum daily outstanding amounts of margin financing services annual cap to HK$140,000,000 and HK$140,000,000 for the year ended/ending 31 December 2017 and 2018 respectively, for more trading opportunities owing to better market conditions and the implementation of the Shanghai and Shenzhen Connect programs. The revised aggregated interest income on margin financing services annual cap was raised to HK$8,750,000 and HK$8,750,000 for the year ended/ending 31 December 2017 and 2018 respectively.

During the year ended 31 December 2017, the aggregated maximum daily outstanding amount of margin financing services and aggregated amount of interest income on margin financing services for Mr. Cheung Lit Wan, Kenneth, Ms. Lam Oi Chun and their associates were HK$123,750,000 and HK$4,238,000 respectively.

The Company has engaged the auditor of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions and based on the unqualified letter issued by the auditor of the Company noted above, confirmed that the transactions have been entered into:

(a) in the ordinary course and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Each of the Group's Executive Directors, Non-Executive Director and Independent Non-Executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 28 November 2009 with written terms of reference set out in the Corporate Governance Code (the "CG Code"). The principal duties of the audit committee includes the review of the Group's financial reporting matters, risk management and internal control procedures.

At present, the Audit Committee comprises one Non-Executive Director, namely Mr. Huang Wei and two Independent Non-Executive Directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew, of which Mr. Wong Chun Bong is the Chairman.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2017. The consolidated financial statements for the year ended 31 December 2017 have been audited by the Company's independent auditor, PricewaterhouseCoopers.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

PricewaterhouseCoopers, the independent auditor of the Company, will retire and, being eligible, offer itself for reappointment at the forthcoming annual general meeting. A resolution to re-appoint it as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
YAO Jianhui
Chairman

Hong Kong, 9 March 2018

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk management and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board under its terms of reference as formally adopted on 2 November 2015, including but not limited to the development and review of the Company's policies and practices on corporate governance and to ensure their compliance with legal and regulatory requirements, and to review and monitor the training and continuous professional development of the Directors and senior members of the Company.

In line with the best corporate governance practice, the Company has established an Audit Committee, a Remuneration Committee, a Nomination Committee, a Strategic Committee and an Investment Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

The Company believes that its commitment to high standard practices will translate into long-term value and ultimately making returns to shareholders. The Company's management pledges to building longer-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

The Board procedures are in compliance with the articles of association (the "Articles") of the Company as well as relevant rules and regulations. For the year ended 31 December 2017, there were no significant changes to the Articles.

CORPORATE GOVERNANCE PRACTICES

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the CG Code in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A2.1. Mr. Yao Jianhui ("Mr. Yao") currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. Mr. Yao has extensive experience in a wide range of industries, including food, construction materials, real estate, commerce, agricultural and forestry, logistics, technology and finance. The Board believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership and more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of Independent Non-Executive Directors, and thus the Board believes that a balance of power and authority has been and will be maintained.

THE BOARD

The Board provides leadership and guidance to the Group's activities, overseeing the Group's businesses, strategic decisions and financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2017, as well as the number of such meetings held, are set out as follows:

Meetings attended/held Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Strategic Committee	Investment Committee	General Meeting
Executive Directors							
Mr. Yao Jianhui	4/5		2/2	3/3	1/1	7/7	1/2
Mr. Li Minbin	5/5				1/1	7/7	2/2
Mr. Zhang Zhi (Note 1)	1/2					1/1	1/1
Mr. Shao Zuosheng (Note 2)	2/3				1/1	6/6	1/1
Non-Executive Director							
Mr. Huang Wei	3/5	4/4					0/2
Independent Non-Executive Directors							
Mr. Wong Chun Bong	5/5	4/4	2/2	3/3			2/2
Professor Lee Kwok On, Matthew	5/5	4/4		3/3	1/1		0/2
Mr. Lee Kwan Hung	5/5		2/2				2/2

Notes:

1. Mr. Zhang Chi was appointed on 13 July 2017
2. Mr. Shao Zuosheng resigned on 13 July 2017

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Yao Jianhui is the Chairman and the Chief Executive Officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development. The CG Code recommends that the role of the Chairman and that of the Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviates from this provision of the CG Code with Mr. Yao Jianhui being the Chairman and the Chief Executive Officer of the Company concurrently. The Board considers this arrangement appropriate as it allows for efficient discharge of the executive functions of the Chief Executive Officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three Independent Non-Executive Directors offering independent advice from different perspectives. In addition, all major decisions are made after consultation with the Board and appropriate Board Committees, as well as key personnel. The Board is therefore of the view that there are adequate balance and safeguards in place.

BOARD COMMITTEE

The Board has established an Audit Committee, a Remuneration Committee, a Nomination Committee, a Strategic Committee and an Investment Committee with clearly defined written terms of reference. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Audit Committee

The Company established an Audit Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The Audit Committee comprises one non-executive director of the Company, namely Mr. Huang Wei and two independent non-executive directors of the Company, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew, of which Mr. Wong Chun Bong is the Chairman. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017. During the year, the Audit Committee has duly discharged the above duties.

Nomination Committee

The Company established a Nomination Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Nomination Committee include considering and recommending to the Board on the appointment of all the Directors. The Nomination Committee comprises three members, namely Mr. Yao Jianhui, Mr. Wong Chun Bong and Mr. Lee Kwan Hung, of which Mr. Yao Jianhui is the Chairman. During the year, the Nomination Committee has duly discharged the above duties.

Remuneration Committee

The Company established a Remuneration Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code.

The principal duties of the Remuneration Committee include determining and reviewing the remuneration packages of all the Directors and senior management of the Company. The senior management of the Company comprises only the Executive Directors of the Company. The Remuneration Committee comprises three members, namely Professor Lee Kwok On, Mathew, Mr. Yao Jianhui and Mr. Wong Chun Bong, of which Professor Lee Kwok On, Matthew is the Chairman. During the year, the Remuneration Committee has duly discharged the above duties.

Strategic Committee

The Company established a Strategic Committee on 28 November 2009. The principal duties of the Strategic Committee include considering and recommending to the Board on the Group's business strategies and investment opportunities. The Strategic Committee comprises four members, namely Mr. Yao Jianhui, Mr. Li Minbin, Professor Lee Kwok On, Matthew, Mr. Zhang Chi (appointed on 13 July 2017) and Mr. Shao Zuosheng (resigned on 13 July 2017), of which Mr. Yao Jianhui is the Chairman. During the year, the Strategic Committee has duly discharged the above duties.

Investment Committee

The Company established Investment Committee on 26 August 2016. The principal duties of the Investment Committee include considering the investment and fund raising proposals made by the Company and its subsidiaries. The Investment Committee comprises three members, namely Mr. Yao Jianhui, Mr. Li Minbin, Mr. Zhang Chi (appointed on 13 July 2017) and Mr. Shao Zuosheng (resigned on 13 July 2017), of which Mr. Yao Jianhui is the Chairman. During the year, the Investment Committee has duly discharged the above duties.

BOARD DIVERSITY POLICY

During the year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits of the selected candidates and their contribution to the Board.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternate Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provided briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and key personnel, where appropriate, to ensure awareness of best corporate governance practices.

During the year ended 31 December 2017, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. Yao Jianhui	A, B
Mr. Li Minbin	A, B
Mr. Zhang Chi (appointed on 13 July 2017)	A, B
Mr. Shao Zuosheng (resigned on 13 July 2017)	A, B
Non-Executive Director	
Mr. Huang Wei	A, B
Independent Non-Executive Directors	
Mr. Wong Chun Bong	A, B
Professor Lee Kwok On, Matthew	A, B
Mr. Lee Kwan Hung	A, B

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

B: *reading newspapers, journals and updates relating to the economy, latest changes and development of the Listing Rules, corporate governance practices, and etc.*

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the group regarding securities transactions of the directors of the Company. All directors of the Company have confirmed that throughout the year ended 31 December 2017, they have complied with the provisions of the Model Code.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-Executive Directors has signed a letter of appointment with the Company, with a term of directorship for 3 years with effect from the date of appointment, reappointment or re-election. Upon the expiry of the aforesaid term of 3 years, the appointments shall be subject to the approval by the Board of the Company. The term of appointment shall be terminable by either the Independent Non-Executive Director or the Company by giving the other party not less than 3 months' prior notice in writing.

INTERNAL CONTROL

Risk management and internal control report

The Group has established and adopted the "China Goldjoy Group Risk Management System" as a simple and effective management procedure for all business units. Pursuant to which, risks were identified, reviewed and prioritised to facilitate resources allocation for the appropriate risk management. The Group has also engaged independent consultants to conduct review of the internal control system of our financial services segment. The management, through the framework, also developed clear understanding on the material risks faced by the Group, which formed the basis for its decision and project implementation, thereby enabling the Group to deliver better operating results.

It is the sole responsibility of the Board to build and maintain a comprehensive and effective risk management and internal control system for the Group for the purpose of safeguarding shareholders' investment and the Group's assets. Such system is designed to identify and manage the risk of failure to achieve business objectives. This risk management and internal control report describes the structure and major features of the risk management and internal control system.

Risk management structure

Based on the different functions performed by each component, the risk management structure of the Group is organised into three basic lines of defence under the leadership of the Board, namely the business departments and subordinate units directly under China Goldjoy; the Risk Management Committee; and the Audit Committee and internal audit department.

			Functions & Duties
Ultimate responsible body	Board		• The right to give guidance and final decision on the risk management system and risk response plan. • To monitor the dynamics among staff, corporate strategy, risk, internal control and compliance.
Monitoring (third line of defence)	Audit committee	Internal audit department	• Monitor the implementation of risk management and the timely report of outcomes to the Board. • To review the risk assessment report and review the effectiveness of the risk management mechanism of the Group at least once a year.
Management (second line of defence)	Risk management committee		• Responsible for the establishment and optimisation of the risk management framework of the Group and the supervision and coordination of risk identification, assessment, mitigation, as well as the risk management report and presentation.
Implementation (first line of defence)	Business units and subordinate departments directly under the Group		• To perform self-review and inspection of the risk management work by the respective department or its subordinate units of the Group, so as to identify and rectify deficiencies in a timely manner.

Risk management measures

The overall risk management process of the Group comprises knowing the objective, identification of risk incidents, risk assessment and response, risk monitoring, risk management report and presentation.

The major objectives and management measures of each of the above step of risk control are set out below:

1. **Knowing the objective:** Knowing the objective of the Group is the prerequisite of risk identification, risk assessment and risk response. The Group must first set an objective before identifying and assessing the risks that may affect the ability to achieve objective, and taking the necessary actions to control those risks.

2. **Risk identification:** Risk identification involves the identification of risk incidents in all business segments, operations and major business procedures through questionnaire and survey, group discussion, expert consultation, scenario analysis, policy analysis, benchmarking and interview, as well as the establishment and annual update of the risk database. The Group needs to identify the internal and external risks relating to attaining the control objective so as to determine the corresponding risk appetite.

3. **Risk assessment:** The Group assesses major risk incident that may affect the ability to achieve objective from the perspectives of vulnerability and the impact on the objective upon the occurrence of risk incidents, and prioritises such risks for the Group to reasonably allocate resources to implement or optimise risk response plan, thereby maintaining the overall risk at an acceptable level. The risk management team conducts annual reviews on parameters of risk assessment (i.e., vulnerability and impact) and report to the Audit Committee for the final approval by the Board.

4. **Risk response:** The Group formulates and implements risk control plan based on the nature of risk incidents and its tolerance to such incidents. The risk control plan can be in the form of special proposal or management system in the daily operation of the Group, with the purpose of maintaining the overall risk at an acceptable level.

   There are four basic strategies of risk response:

   - Avoiding risk: refers to the withdrawal from activities that may create risks as a way of risk prevention;

   - Transferring risk: refers to reducing the possibility of risk or its impact, or the sharing of risk by means of shifting the risk;

   - Mitigating risk: refers to reducing the possibility of risk or its impact through taking reasonable precaution and management measures; and

   - Accepting risk: refers to the case where the Group does not take any measures to interfere the impact of the risk, in the event that the risk materialises in the future, the Group will bear all consequences of the risk.

5. **Report:** The risk report of the Group can be divided into regular risk report and special risk report. The regular risk report is the annual report prepared by the risk management committee on risks and risk control in the course of the operation and development of the Group, which will be submitted to the audit committee and the Board.

The above risk management system aims at managing but not eliminating the risk of failure to achieve business objectives. Furthermore, the Board will only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

Review on system effectiveness

The review on effectiveness of the risk management and internal control system for 2017 covers the year ended 31 December 2017, in which the Board has performed annual review on the effectiveness of the risk management and internal control system of the Group through the Audit Committee, and was of the opinion that the existing risk management and internal control system was sufficient and effective. During the review, the Board has reviewed the adequacy of resources, staff qualification and experience of the audit and financial reporting function of the Group through the Audit Committee, and has not identified any material deficiencies. The Board was not aware of any material issues that may affect the shareholders and require their attention, and was of the view that the internal control of the Group was in full compliance with all of the code provisions relating to internal control under the Corporate Governance Code.

In conclusion, the Board strives to enhance the risk management and internal control system of the Group on an on-going basis.

Procedures and internal controls for the handling and dissemination of inside information

In accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, the Group shall disclose to the public any insider information as soon as possible after such information comes to the attention of the Group, unless such information is within the scope under any safe harbours provision in the Securities and Futures Ordinance. The Group will ensure such information will be kept confidential before it is fully announced to the public. If the Group considers that the confidentiality required cannot be kept, or such information may have leaked already, such information will be disclosed to the public immediately. We also endeavour to ensure that the information contained in the annual report shall not be deceptive or misleading in all material aspects, and there are no other material matters the omission of which would make the information contained therein to be deceptive or misleading, such that the insider information disclosed can be made available to the public in an equal, timely and effective manner.

In addition, if there occurs any significant risk events, the related information will be disclosed to appropriate authorities and personnel in a complete, accurate and timely manner, so that appropriate decisions and measures can be made and implemented by the Group to deal with such risk events. Meanwhile, in order to further develop the risks management culture of the enterprise, as well as to enhance the risk awareness of our staff, the Group has already rolled out training programs, so that we can assure to maintain the balance between business expansion and risk management in our operation.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made appropriate judgement and estimates, prepared the financial statements on a going-concern basis.

The Group has announced its annual results in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, approximately HK$3,180,000 was incurred as remuneration to PricewaterhouseCoopers for the provision of audit services and approximately HK$368,000 was paid to local CPA firms for the provision of audit services of the subsidiaries of the Company incorporated in the PRC. During the year, the following amounts were paid as remuneration to PricewaterhouseCoopers for the provision of the following non-audit related services to the Group.

	HK$'000
Taxation	**485**
Others	**2,503**
Total	**2,988**

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board established a shareholders communication policy in 2014 and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.

The Group has established and maintains different communication channels with its shareholders. Annual reports and other corporate communications are published on the websites of the Company and the Stock Exchange. General meetings and investor meetings were held either face-to-face or via telephone conference. The Group reports to the shareholders twice a year and maintains a regular dialogue with investors.

Shareholders are provided with contact details of the Company, including email address and postal address, in order for them to make queries that they may have with respect to the Company. They can also send their enquiries to the Board by these means. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend. The website of the Company has also set out details on how shareholders can convene an extraordinary meeting, and the procedures for shareholders to put forward proposals at shareholders' meeting.

The annual general meeting provides an useful forum for shareholders to exchange their views with the Board.

SHAREHOLDER'S RIGHTS

(i) Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

The Board shall, on the requisition in writing by the shareholder(s) to the Secretary of the Company of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene an EGM in accordance with the Memorandum and Articles of Association of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves do so but any meeting so convened shall not be held after the expiration of three months from the said date.

(ii) Procedures for putting forward proposals at General Meeting ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the GM.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited at Units 1908 to 1909, 19/F., Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong for the attention of the "Company Secretary" no less than six weeks before the GM in case of a requisition requiring notice of a resolution and no less than one week before the GM in case of any other requisitions.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses giving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

If the requisition is verified to be not in order or the requisitionists have failed to deposit sufficient money to meet the Company's expenses for the said purpose, the requisitionists will be advised of the result and accordingly, no action will be taken by the Company in that regard.

(iii) Shareholders' Enquiries

Shareholders may make enquiries or direct concerns to the Board in writing by addressing for the attention of the "Company Secretary" by mail at Units 1908 to 1909, 19/F., Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2017.

The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2017.

The Directors present their report and the consolidated financial statements of the Company for the year ended 31 December 2017.

On behalf of the Board

Yao Jianhui
Chairman

Hong Kong, 9 March 2018

Environmental, Social and Governance Report

About this report

This Environmental, Social, and Governance Report ("ESG Report" or "Report") will focus on the guidelines and strategies we have adopted to achieve sustainable development during the reporting year. Unless otherwise stated, this report covers the sustainable development performance and measures of the Company and our listed and unlisted securities investment businesses. The Group mainly adopts the principles and basis set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" ("ESG Guide") to the Listing Rules as its standards. We are committed to building a sound environmental, social and governance structure. Please refer to the "Corporate Governance Report" in this annual report for information on the corporate governance of the Group.

Our approach to sustainability development

Being a good corporate citizen, we are committed to creating sustainable value for stakeholders by incorporating environmental, social and governance considerations into our operations with an aim to be a positive force to our environment and the wider community. To be accountable to all stakeholders, the Company makes every effort to reduce the impact on the environment, be aware of the well-being of the employees and contribute more to the community.

Listening to our stakeholders

We believe that understanding the opinions of stakeholders provides a solid foundation for the Group's long-term growth and success. We provide multiple channels for a broad spectrum of stakeholders in order to give them the opportunity to express their views on our sustainability performance and future strategies. To foster mutual trust and respect, we are committed to maintaining continuous formal and informal communication channels with stakeholders, so that we can better shape our business strategies to meet the needs and expectations of stakeholders, anticipate risks and strengthen key relationships. We have identified employees, business partners, shareholders, suppliers, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this Report.

I. Key performance

Category	Statistical Indicators	Year 2017
Environmental protection	Greenhouse gas emissions (CO_2 equivalent, ton)	2,013
	Emissions per unit of production value (Ton CO_2/HK$ million)	0.71
	Emission of industrial waste residue (ton)	25
	Total non-hazardous waste produced (ton)	8
	Total electricity consumption (GWh)	171
	Electricity consumption per unit of production value (GWh/HK$ million)	0.06
	Total water consumption (ton)	55,025
	Total water consumption per unit of production value (ton/HK$ million)	19.48
	Total gasoline consumption (ton)	166
	Total amount of packaging cartons used in industrial products (ton)	81
	Environmental penalty incidents (times)	0
	Total investment in environmental protection costs (HK$'000)	980.64
Safe Production	Number of safety production accidents (times)	0
	Number of work-related injury accident (persons)	0
	Casualties (persons)	0
	Number of safety emergency rehearsal (times)	17
	Total investment in safety production (HK$'000)	265.31
Customer responsibility	Number of international, national or industry certifications for industrial manufacturing (number)	26
	New patent certificate (item)	5
	Qualification rate of industrial finished products (%)	99.3
	Effective processing rate of customer complaints (%)	95.5
	Number of technical research and development team (persons)	55
	Total investment in research and development expenses (HK$'000)	8,191.27
	Qualification rate of automatic equipment sales and installation (%)	100
	Number of industry and media awards for financial services (number)	5
	Number of financial services investment seminars conducted (times)	11

Category	Statistical Indicators	Year 2017
Partner responsibility	Total number of industrial manufacturing suppliers (number)	308
	Signing rate of industrial manufacturing supplier quality assurance agreement (%)	82
	Qualification ratio of quality inspection of material supplied by industrial manufacturing suppliers (%)	98
	Number of disqualified industrial manufacturing suppliers eliminated (number)	35
	Ratio of responsibility purchase (%)	100
	Purchase bribery, corruption detected (times)	0
Employee growth	Total number of employees (persons)	672
	Proportion of total female employees (%)	40
	Proportion of female managers (%)	26
	Signing rate of employment contract (%)	100
	Social insurance coverage rate (%)	100
	Staff skill training coverage rate (%)	70
	Employee turnover rate (%)	24.6
	Number of occupational diseases (persons)	0
	Average paid annual leave per person (day)	7
	Total employee welfare costs (HK$'000)	5,110.89
Community building	Number of participation in community charity activities (times)	9

II. Green development

The Group is not listed as one of the government's carbon emission control units, and there is no difficulty in obtaining energy and water resources. Having said that, the Group still attaches great importance to environmental protection, energy conservation and emission reduction by responding to government's calls for environmental protection and energy saving policies and ensuring that various types of manufacturing industrial waste are handled in accordance with environmental laws and regulations. We also endeavor to reduce the consumption of water, electricity and other energy through a variety of ways, and actively implement the concept of green development. In 2017, the Group has not incurred any environmental violations.

1. *Continue to increase research and development of green lighting*


Intelligent Street Lamp System

The Group's subsidiary BYT is specialized in research and development, production and sales of LED light sources and lighting fixtures. In 2017, BYT successfully undertook the project of "Landscape Lighting for One River, Two Coasts and Three Belts of Guangzhou" and lighting projects in several large-scale domestic real estate projects. The use of large amount of energy-efficient LED lighting in society makes a positive impact on the reduction of energy consumption, pollutants and greenhouse gas emission during the process of electricity generation. Catering for the market demand of "Smart City", BYT continued to focus on intelligent technology in lighting products. In 2017, it developed an intelligent street lamp system, through which more than 30% of the electricity consumption can be saved by using the LED street lights compared with traditional street lights. If the system works with the IoT(Internet of Things), cloud computing and big data, on top of energy saving effect of LED street lights, a further 30%-40% of the electricity consumption can be saved.

2. *Ensure that industrial waste is handled environmentally*

BYT maintains a long-term cooperation professional organizations for dangerous wastes disposal which possess "Permit for Operation of Dangerous Wastes" issued by Guangdong Province to ensure that waste solvent, waste glue, broken glass, oily waste cloth, waste empty container, etc. generated in the production process are handled environmentally in accordance with the law and standard operating procedures. Meanwhile, to promote the recycling of resources, BYT cooperates with resource recycling companies with relevant operating qualifications for non-hazardous recyclable waste, such as paper, metal, etc.

3. *Cooperate with external companies to promote green travel*

In 2017, the Group's subsidiary Shenzhen B&K New Energy Co., Ltd. ("Shenzhen B&K") cooperated with the "OFO" bicycle sharing company and jointly launched the "B&K & OFO" monthly card campaign to promote the public green travel and further increase the utilization rate of shared bicycles in Guangming New District of Shenzhen.

4. *Promote green office*

The Group is committed to promoting green office culture. We install and use LED energy-saving lighting fixtures in our office areas, production lines, staff living areas and outdoor lighting areas, etc. replacing the traditional metal halide lamps, which greatly saves electricity. We require our employees to save energy, by reducing usage of electricity and water through measures including setting the minimum temperature for air conditioners in summer, using double-sided printing papers, continuing to promote OA paperless office and properly maintaining vehicles to save fuel consumption, etc.

In an apartment renovation project in 2017, Shenzhen B&K carried out a power transformers energy-saving reframing, which saved 4000KVA of electricity capacity per month. It also adopted a smart water-electricity meter system to achieve self-serviced water and electricity purchase, which greatly reduced the wastage of water and electricity of the tenants. The effect of energy saving and consumption reduction was remarkable.

III. Safe Production

The Group has a deep understanding of the potential safety hazards in the production process and office environment and is committed to providing a safe and healthy working environment for all employees. We strictly comply with relevant laws and regulations and take effective measures to prevent and control the occurrence of accidents. In 2017, the Group did not experience any work-related injury accident.

1. *Implement safety responsibility system*

In March 2017, the Group issued a batch of safety production management rules including "Organizational Settings of the Safety Management Committee", "Memorandum of the Safety Management Committee" and "Safety Management Operational Mechanisms" with effective from the date of release, which clearly stipulate the main bodies responsible for safe production, management scope, inspection methods, training and education and emergency handling. In 2017, the Group conducted three major safe production inspections to reinforce the safety awareness of the related parties and improve safe production levels.

2. *Safe production special activities*

1) Safety knowledge training

In 2017, the Group promoted the knowledge and skills for safe production management through safety knowledge training. The trainings were conducted in the forms of seminars on safe production, use of production safety equipment, interactive questions and answers sessions of safety knowledge and video watching etc. A total of 1,239 headcounts had participated in all kinds of safety knowledge education and training activities throughout the year.

2) Disaster prevention and emergency drill

During the year, the Group organized staff to carry out emergency fire drill for 17 times, which further enhanced the awareness of disaster prevention and capabilities of emergency evacuation.

3) Roll out of themed activities for investigation of hidden hazards in productions

To enhance the active awareness of production safety of frontline employees, BYT carried out activities to investigate hidden hazards of production safety in 2017, encouraged the employees to discover hidden safety hazards from the day-to-day production activities. In 2017, a total of 24 self-discovered and self-reported safety production risks were found, and 35 potential hazards were identified.

Demonstration of use of a fire extinguisher

IV. Employee responsibility

The Group recognizes our employees as valuable assets for its sustainable development, we have always attached great importance to talent management and upheld the "people-oriented" spirit. We continuously improve the recruitment and development system for talented people and formed a standardized, transparent and efficient human resources management system. We pay attention to the professional development of employees and are committed to providing them with a broad room for growth and assisting them in achieving their own values.

1. *Strict compliance to laws in labour employment*

The Group's current human resources management system and policies strictly comply with local labor and employment laws. We established a complete human resource management system by setting out rules and guidelines, such as "employee handbook", "remuneration and benefits management method", "training management system" and "performance assessment management method" which provides a pragmatic foundation of all personnel work. All employees are required to sign employment contracts at the time of employment. The Group pays for social insurance, housing provident fund or MPF strictly in accordance with laws and clearly prohibits the use of child labor in any position. In 2017, there was no illegal employment in the Group.

2. *Diversified training systems*

ICAC Seminar

The Group provides employees with diversified and specially tailored training programs, including new employee induction training, performance counseling training, professional skills training, etc. We provide opportunities for eligible employees to participate in external training and encourage the development of internal training instructors. The request for relevant training courses are submitted by human resources department and business department at the previous year end. The Group allocates corresponding budgets to guarantee such requests.

During the year, the Company cordially invited the Hong Kong Independent Commission Against Corruption (ICAC) to provide business ethics training for employees of the Group to analyze issues concerning corruption, bribery, fraud, conflicts of interest and other fraudulent practices, and to maintain high alertness of employees in these areas to prevent violations of business ethics.

3. *Provide fair and transparent talent selection mechanism and compete for posts*


Staff presentation for career promotion

The Group pays attention to the career development of our employees and provides employees with equal promotion opportunities based on the results of performance evaluation. In 2017, the Group officially released a talents development plan, aiming to gradually develop the selected employees into backup talents of the Group and as successors of key positions. The selected employees will participate in training courses offered by the Group, rotation training and regular assessments. The plan is operated with dynamic management and the assessment results determine the survival of the fittest and the priority for future management position vacancies. All employees can sign up for the plan and selection will be continued in a fair and transparent manner.

In addition, all employees are entitled to fair and equal opportunities for career development through the methods of self-recommendation, open competition and competition for posts, based on their ability and contributions. This actively creates a healthy, transparent and progressive career development platform within the Group.

4. *Care for rights of employees*


Staff Sports Day

The Group effectively protects the legitimate rights and interests of employees, builds a harmonious and win-win labor management relationship, further optimizes the remuneration structure, and offers employees a competitive salary that is commensurate with their positions and capabilities. The Group pays salaries and overtime pay to employees on time in accordance with laws and established policies, ensures that employees enjoy leaves and other benefits, encourages every subsidiary to provide employees with nutritious work meals, health check-ups and holiday benefits, and carries out a variety of activities on a regular basis to enrich employees' leisure life and enhance relationships among them.

V. Customer responsibility

1. *Comprehensive after-sales service system*

The operating and related companies of the Group have established a comprehensive after-sales service system, including after-sales installation, commissioning, maintenance and customer satisfaction management, information services, testing services, training services as well as complaints handling mechanism. The continuous improvement of the after-sales service system advances our product quality and service standards, and increases customer satisfaction and loyalty.

2. *Protect the rights of customers and consumers*

The Group promises to provide quality products and services to our customers. We strictly comply with national and industrial standards by displaying product names, product labels, manufacturers, addresses and contact numbers on the outer packaging of industrial products, and providing customers with product certifications and instruction manuals.

When providing financial services such as securities investment, asset management and wealth management to our customers, the Group strictly follow laws and industry self-disciplined rules to conduct client identity identification, client risk tolerance assessment, visit survey and investment risk warnings. Private information of clients is kept strictly confidential.

VI. Partner responsibility

The Group advocates the idea of "win-win cooperation". We focus on promoting the operation capabilities of other members of the supply chain, protecting the legitimate rights and interests of the investors, and aims to share the growth of corporate profits with all partners.

1. *Promote performance of duties by suppliers*

In 2017, the Group continued to promote operating and related companies to strengthen supply chain management, and focused on the identification of new suppliers. We selected supplier strictly through inspections, access requirements, evaluations and maintained a qualified suppliers list. Each subsidiary's material business contracts must be reported to the Group for review and filing. If the supplier fails to perform its duties under the contract, we shall claim against such supplier for breach of contract and shall give it a warning notice, or a rectification request within a time limit or eliminate it from our suppliers list depending on the circumstances.

2. *Anti-corruption, anti-money laundering*

In 2017, the Group required all subsidiaries to sign an "Incorruption Agreement" with suppliers when they entered into purchase contracts. The "Incorruption Agreement" sets out the anti-fraudulence, anti-corruption responsibilities and supervision methods during the performance of the purchase contract, and publicizes reporting hotline and email to suppliers, so as to create an incorrupt and faithful business environment. There were no corruption or fraud cases in the Group during the year.

During the year, the Group also issued and implemented the "Securities and Futures Business Operation Manual" to strengthen the monitoring of anti-money laundering control of securities, futures and other financial services in an institutional manner. We maintain close communication with regulatory authorities, commercial banks and fund custodians etc. and earnestly fulfill anti-money laundering responsibilities through various methods such as customer due diligence and capital flow monitoring. In 2017, there were no such risks for the Group.

VII. Community building


iFast Metro Race

While the Group endeavouring to promote business development and strive for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share the burden in building the society where our business has been established and thrived. We actively participate in public welfare activities and support poverty alleviation so as to jointly create a stable and harmonious community environment.

In 2017, the Group participated in the "iFast Metro Race". The proceeds from the competition would be donated to non-profit chain stores for charitable purposes, supporting the provision of food and daily necessities for the local low-income and disadvantaged people.

ACCA Community Day

In addition, the Group has supported the "ACCA Community Day" organized by the Association of Chartered Certified Accountants in Hong Kong for five consecutive years. In January 2018, we also participated in the rickshaw race held in the pedestrian zone in Chater Road, Central District for the first time, further demonstrating our dedication to putting words into action and helping the disadvantaged in the community.

In the future, China Goldjoy will continue to support social welfare affairs, hoping to contribute to the society and benefit the community as a whole.

HKEX "Environmental, Social and Governance Reporting Guide"	Chapter
Aspect A1: Emissions	
General Disclosure:	Chapter 2: Green development
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPIs	Chapter 2: Green development
A1.1 The types of emissions and respective emissions data	
A1.2 Greenhouse gas emissions in total (in ton)	
A1.3 Total hazardous waste produced (in ton)	
A1.4 Total non-hazardous waste produced (in ton)	
A1.5 Description of measures to mitigate emissions and results achieved	
A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2: Use of Resources	
General Disclosure:	Chapter 2: Green development
Policies on the efficient use of resources, including energy, water and other raw materials.	
KPIs	Chapter 2: Green development
A2.1 Direct or indirect energy consumption by type in total and intensity	
A2.2 Water consumption in total and intensity	
A2.3 Description of energy use efficiency initiatives and results achieved	
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	
A2.5 Total packaging material used for finished products (in ton)	
Aspect A3: The Environment and Natural Resources	
General Disclosure:	Chapter 2: Green development
Policies on minimising the issuer's significant impact on the environment and natural resources.	
KPI	Chapter 2: Green development
A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

HKEX "Environmental, Social and Governance Reporting Guide"	Chapter
Aspect B1: Employment	
General Disclosure:	Chapter 4: Employee responsibility
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
Aspect B2: Health and Safety	
General Disclosure:	Chapter 3: Safe Production
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
Aspect B3: Development and Training	
General Disclosure:	Chapter 4: Employee responsibility
Policies on improving employees' knowledge and skills for discharging duties at work, and description of training activities.	
Aspect B4: Labour Standards	
General Disclosure:	Chapter 4: Employee responsibility
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
Aspect B5: Supply Chain Management	
General Disclosure:	Chapter 6: Partner responsibility
Policies on managing environmental and social risks of the supply chain.	
Aspect B6: Product Responsibility	
General Disclosure:	Chapter 5: Customer responsibility
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
Aspect B7: Anticorruption	
General Disclosure:	Chapter 4: Employee responsibility Chapter 6: Partner responsibility
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
Aspect B8: Community Investment	
General Disclosure:	Chapter 7: Community building
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF CHINA GOLDJOY GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Goldjoy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 168, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment of goodwill arising from the acquisition of Gallant Tech Limited ("Gallant Tech") and Financial Services Group
- Valuation of properties under development, properties held for sale and investment properties (collectively referred as the "Properties" thereafter) in respect of the acquisition of Laihua Taisheng Limited ("Laihua Taisheng")

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill arising from the acquisition of Gallant Tech and Financial Services Group Refer to Note 4 (Critical accounting estimates and judgements) and Note 9 (Intangible assets) to the consolidated financial statements for the related disclosures. As at 31 December 2017, goodwill arising from acquisitions of Gallant Tech under Automation segment in 2012 and Financial Services Group in 2016 amounted to HK$43,722,000 and HK$104,236,000 respectively. Annual impairment assessments were performed on the Group's goodwill relating to Gallant Tech and Financial Services Group separately, which were determined as separate cash-generating unit ("CGUs"). Management was of the view that the recoverable amounts of the respective CGUs were higher than their carrying amounts. The recoverable amounts were determined with reference to the value-in-use calculation based on future cash flows forecasts of the CGUs. Based on the management's assessment, no provision for impairment loss was made as at 31 December 2017. This area was important to our audit due to the significance of the goodwill relating to Gallant Tech and Financial Services Group. In addition, management's assessment of the recoverable amounts of goodwill involved significant judgements and estimates towards future results of the respective businesses, in particular the key assumptions in the future cash flows forecasts, including the revenue growth rates, terminal growth rates and discount rates.	We evaluated management's assessment in determining whether there is an impairment for the goodwill relating to Gallant Tech and Financial Services Group by examining the value-in-use calculations. Our examination of management's value-in-use calculations included assessments of the methodology and the key assumptions used in the management's cash flow forecasts, in particular the revenue growth rates, terminal growth rates and discount rates based on our knowledge of the business and industry, with the assistance of our own valuation specialists. We challenged management's assumptions of revenue growth rates and terminal growth rates by comparing to industry trends and Gallant Tech's and Financial Services Group's historical performances. We challenged management's discount rates assumptions by assessing the cost of capital for Gallant Tech and Financial Services Group and comparing to the discount rates of comparable businesses. We compared the current year actual results with the figures included in prior year forecast to consider the reasonableness of management's forecasting; and that all relevant factors had been taken into account in the revised forecasts. We reconciled the data input to supporting evidence, such as approved budgets, and we considered the reasonableness of these budgets by comparing them to historical data. We examined the results of management's sensitivity analysis around the discount rates, revenue growth rates and terminal growth rates to consider the extent of changes in those assumptions that would result in impairment of goodwill. Based on the procedures performed, we found management's impairment assessment to be acceptable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Properties in respect of the acquisition of Laihua Taisheng Refer to Note 4 (Critical accounting estimates and judgements) and Note 43(a) (Business combination) to the consolidated financial statements for the related disclosures. In December 2017, the Group completed the acquisition of 100% equity interest in Laihua Taisheng at a consideration of approximately HK$2,046,800,000. A negative goodwill of approximately HK$208,012,000 was resulted from the acquisition. Management engaged an independent valuation firm (the "Valuer") to assist in carrying out the allocation of purchase price and to assess the fair values of identifiable assets acquired and liabilities assumed as at the acquisition date. We focused the fair valuation of the Properties as at the date of acquisition due to significant judgements involved in determining the fair value and the significance of the value of Properties to the fair values of identifiable assets acquired and liabilities assumed. The fair value of the Properties amounted to HK$3,012,158,000 as at the date of acquisition was determined by the Valuer using direct comparison method and residual method. The key assumptions adopted in the fair valuation of the Properties including estimated selling prices, estimated costs to completion and estimated profit margin of developing the Properties.	We evaluated the Valuer's competence, capabilities and objectivity. We assessed the appropriateness of the valuation methods adopted and the reasonableness of the key assumptions and data inputs in determining the fair value of the Properties with assistance from our own valuation specialists, including: • Expected selling prices of the Properties – We compared the estimated selling prices to the recent market transactions and made reference to the prevailing market prices of comparable properties with similar size, usage and location. • Fair value of the pre-sold properties – We checked to the sale agreements and compared the selling prices against the information adopted by the Valuer on a sample basis. • Estimated costs to completion for properties under development – We checked the estimated costs to completion to approved budgets, construction contracts and contractor invoices on a sample basis. We also interviewed a major contractor and sent confirmations to contractors on a sample basis. • Estimated profit margin of developing the Properties – We assessed its reasonableness by comparing it to publicly available information of comparable property developers. We also obtained and checked the details of land certificates and performed site visit to understand the construction progress of the Properties. Based on the above, we found that the valuation methods adopted was appropriate and that the key assumptions used by management in determining the fair value of the Properties as at the date of acquisition were supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Hin Gay Gabriel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2018

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**433,258**	387,223
Land use right	7	**4,105**	–
Investment properties	8	**2,447,232**	1,590,524
Intangible assets	9	**194,670**	202,659
Investments in associates	11	**–**	82,207
Available-for-sale financial assets	12	**1,534,850**	986,777
Deferred income tax asset	27	**9,194**	–
Trade receivables	17	**8,341**	3,377
Finance lease receivables	18	**104,382**	–
		4,736,032	3,252,767
Current assets			
Inventories	13	**55,512**	36,069
Properties under development	14	**524,212**	–
Completed properties held for sale	15	**698,267**	–
Loans and advances	16	**892,904**	987,605
Trade receivables	17	**356,123**	234,420
Finance lease receivables	18	**19,789**	–
Prepayments, deposits and other receivables	19	**276,383**	34,033
Current income tax recoverables		**10,270**	1,651
Held-to-maturity investment	20	**60,000**	25,000
Financial assets at fair value through profit or loss	21	**952,960**	748,901
Client trust bank balances	22	**101,031**	50,485
Restricted cash	22	**46,154**	–
Cash and cash equivalents	22	**2,231,369**	1,535,633
		6,224,974	3,653,797
Assets classified as held-for-sale	24	**–**	99,176
		6,224,974	3,752,973
Total assets		**10,961,006**	7,005,740

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital	23	**2,467,933**	2,214,860
Share premium	23	**3,700,285**	2,402,151
Other reserves and retained earnings	25	**1,077,697**	85,586
		7,245,915	4,702,597
Non-controlling interests		**523,466**	446,765
Total equity		**7,769,381**	5,149,362
LIABILITIES			
Non-current liabilities			
Other payables	29	**77,364**	257,159
Borrowings	26	**207,962**	–
Deferred income tax liabilities	27	**283,647**	184,915
		568,973	442,074
Current liabilities			
Trade and bills payables	28	**737,629**	176,563
Accruals and other payables	29	**1,382,774**	413,516
Borrowings	26	**417,903**	779,572
Current income tax liabilities		**84,346**	27,323
		2,622,652	1,396,974
Liabilities related to assets classified as held-for-sale	24	**–**	17,330
		2,622,652	1,414,304
Total liabilities		**3,191,625**	1,856,378
Total equity and liabilities		**10,961,006**	7,005,740

The consolidated financial statements were approved by the Board of Directors on 9 March 2018 and were signed on its behalf.

Yao Jianhui	**Li Minbin**
Chairman	*Director*

The notes on pages 73 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Revenue	5	**2,825,287**	995,560
Cost of sales	31	**(1,954,011)**	(522,122)
Gross profit		**871,276**	473,438
Other gains – net	30	**4,563**	318
Other income	30	**115,284**	79,114
Gain on bargain purchase from acquisition of a subsidiary	43	**208,012**	–
Fair value gain on investment properties	8	**123,409**	462,734
Distribution costs	31	**(28,823)**	(22,086)
Administrative expenses	31	**(240,319)**	(174,918)
Operating profit		**1,053,402**	818,600
Finance income – net	33	**10,673**	19,898
Share of (loss)/profit of associates	11	**(3,460)**	13,532
Provision for impairment of investment in an associate	11	**(5,212)**	(2,400)
Profit before income tax		**1,055,403**	849,630
Income tax expense	34	**(161,512)**	(195,221)
Profit for the year		**893,891**	654,409
Profit attributable to:			
Owners of the Company		**869,170**	466,593
Non-controlling interests		**24,721**	187,816
		893,891	654,409
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Fair value gain/(loss) on available-for-sale financial assets, net of tax		**76,874**	(80,129)
Currency translation differences		**140,661**	18,566
Other comprehensive income/(loss) for the year		**217,535**	(61,563)
Total comprehensive income for the year		**1,111,426**	592,846
Total comprehensive income for the year attributable to			
Owners of the Company		**1,054,955**	405,030
Non-controlling interests		**56,471**	187,816
		1,111,426	592,846
Earnings per share for profit attributable to equity holders of the Company			
– basic	35	**HK$3.90 cents**	HK$2.15 cents
– diluted	35	**HK$3.90 cents**	HK$2.15 cents

The notes on pages 73 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Available-for- sale financial assets HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total HK$'000
For the year ended 31 December 2016												
At 1 January 2016	2,154,860	2,054,151	(215,150)	12,411	370	33,987	–	54,304	(14,798)	69,870	–	4,150,005
Profit for the year	–	–	–	–	–	–	–	–	–	466,593	187,816	654,409
Other comprehensive (loss)/income:												
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	–	(80,129)	–	–	–	(80,129)
Currency translation differences	–	–	–	–	–	–	–	–	18,566	–	–	18,566
Total other comprehensive (loss)/income	–	–	–	–	–	–	–	(80,129)	18,566	–	–	(61,563)
Total comprehensive (loss)/income	–	–	–	–	–	–	–	(80,129)	18,566	466,593	187,816	592,846
Proceeds from shares issued (Note 23)	60,000	348,000	–	–	–	–	–	–	–	–	–	408,000
Dividends	–	–	–	–	–	–	–	–	–	(53,871)	–	(53,871)
Acquisition of subsidiaries and assets (Notes 43(b) and 44)	–	–	–	–	–	–	–	–	–	–	491,547	491,547
Put option liability (Note 43(b))	–	–	–	–	–	–	(257,159)	–	–	–	–	(257,159)
Issuance of shares of a subsidiary to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	50,000	50,000
Change in ownership interests in subsidiaries without change of control in relation to acquisition of subsidiaries accounted for as business combination (Note 43(b))	–	–	–	–	–	–	(11,342)	–	–	–	44,675	33,333
Change in ownership interests in subsidiaries without change of control in relation to acquisition of subsidiaries accounted for as acquisition of assets (Note 44)	–	–	–	–	–	–	44,013	–	–	–	(309,352)	(265,339)
Transfer to statutory reserve	–	–	–	–	–	37,383	–	–	–	(19,462)	(17,921)	–
At 31 December 2016	2,214,860	2,402,151	(215,150)	12,411	370	71,370	(224,488)	(25,825)	3,768	463,130	446,765	5,149,362

	Share capital HK$'000	**Share premium HK$'000**	**Merger reserve HK$'000**	**Capital reserve HK$'000**	**Share option reserve HK$'000**	**Statutory reserve HK$'000**	**Other reserve HK$'000**	**Available-for- sale financial assets HK$'000**	**Exchange reserve HK$'000**	**Retained earnings HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
For the year ended 31 December 2017												
At 1 January 2017	**2,214,860**	**2,402,151**	**(215,150)**	**12,411**	**370**	**71,370**	**(224,488)**	**(25,825)**	**3,768**	**463,130**	**446,765**	**5,149,362**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**869,170**	**24,721**	**893,891**
Other comprehensive income:												
Fair value gain on available-for-sale financial assets, net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,874**	**-**	**-**	**-**	**76,874**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**108,911**	**-**	**31,750**	**140,661**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,874**	**108,911**	**-**	**31,750**	**217,535**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,874**	**108,911**	**869,170**	**56,471**	**1,111,426**
Proceeds from shares issued (Note 23)	**252,873**	**1,297,124**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,549,997**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(70,875)**	**-**	**(70,875)**
Transactions with non-controlling interests (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,230**	**20,230**
Exercise of share options (Note 23)	**200**	**1,010**	**-**	**-**	**(370)**	**-**	**-**	**-**	**-**	**-**	**-**	**840**
Revaluation reserve arising from reclassification of property, plant and equipment to investment properties (Note 8)	**-**	**-**	**-**	**-**	**-**	**-**	**8,401**	**-**	**-**	**-**	**-**	**8,401**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**32,385**	**-**	**-**	**-**	**(32,385)**	**-**	**-**
At 31 December 2017	**2,467,933**	**3,700,285**	**(215,150)**	**12,411**	**-**	**103,755**	**(216,087)**	**51,049**	**112,679**	**1,229,040**	**523,466**	**7,769,381**

The notes on pages 73 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	37	**537,551**	(802,672)
Hong Kong profits tax paid		**(13,443)**	(1,968)
PRC corporate income tax paid		**(8,938)**	(17,174)
Net cash generated from/(used in) operating activities		**515,170**	(821,814)
Cash flows from investing activities			
Additions of property, plant and equipment		**(34,906)**	(286,802)
Payment for construction costs of investment properties		**(137,415)**	(40,985)
Additions of intangible assets		**–**	(1,884)
Additions of finance lease receivable		**(121,614)**	–
Additions of investment properties		**(64,997)**	(96,522)
Purchase of available-for-sale financial assets		**(517,296)**	(831,020)
Proceeds received on disposal of property, plant and equipment and intangible assets	37(b)	**31,328**	1,391
Proceed from disposal of an associate		**89,170**	–
Proceeds from disposal of subsidiaries		**34,300**	–
Purchase of held-to-maturity investment		**(60,000)**	(25,000)
Proceeds from disposal of available-for-sale financial assets		**7,024**	33,325
Proceeds from disposal of held-to-maturity investment		**25,000**	–
Proceeds from return on investment of available-for-sale financial assets		**–**	16,072
Interest received from finance lease		**2,929**	–
Interest received		**10,623**	20,720
Dividend received from an associate		**9,339**	–
Dividend received from other investments		**59,950**	31,498
Acquisition of an associate		**–**	(59,249)
Acquisition of subsidiaries through business combination	43	**(105,548)**	(248,327)
Acquisition of subsidiaries through acquisition of assets	44	**–**	(407,815)
Net cash used in investing activities		**(772,113)**	(1,894,598)

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Drawdown of bank borrowings		**263,659**	596,447
Repayments of bank borrowings		**(625,328)**	(47,270)
Proceeds from issuance of corporate bonds		**31,000**	–
Interest paid		**(20,000)**	(822)
Proceeds from issuance of shares		**1,550,837**	408,000
Proceeds from issuance of additional shares of a subsidiary to non-controlling shareholder (Note 43(a))		**–**	83,333
Dividends paid	36	**(70,875)**	(53,871)
Transactions with non-controlling interests		**(180,026)**	(65,083)
Net cash generated from financing activities		**949,267**	920,734
Net increase/(decrease) in cash and cash equivalents		**692,324**	(1,795,678)
Cash and cash equivalents at beginning of the year		**1,535,633**	3,344,391
Exchange gain/(loss) on cash and cash equivalents		**3,412**	(13,080)
Cash and cash equivalents at end of the year	22	**2,231,369**	1,535,633

The notes on pages 73 to 168 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Goldjoy Group Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2009 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the"Group") are principally engaged in the trading and provision of services with respect to automation related equipment (the "Automation"), financial services (the "Financial Services"), the manufacturing of a range of high-technology and new energy products (the "Manufacturing"), property investment and development (the "Property Investment and Development") and securities investment (the "Securities Investment").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2010.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These financial statements have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 9 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties assets classified as held-for-sale and liabilities related to assets classified as held-for-sale, financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are carried at fair values.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards and interpretation adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

HKFRSs (Amendment)	Annual improvements 2014–2016 cycle
HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses

The adoption of these amendments did not have any significant impact on the current period or any prior period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standards and amendments to standards have been issued but not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been early adopted by the Group in preparing these consolidated financial statements. None of these new standards and amendments to standards and interpretations is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in FVOCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standard and amendments to standards have been issued but not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted: (continued)

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The historical credit losses are immaterial.

Based on the historical experience of the Group, the default rates of the outstanding balances with customers and related parties are low. Hence, the directors of the Company do not expect that the application of HKFRS 9 would result in a significant impact on the Group's impairment provisions.

The Group has assessed that certain financial assets classified as available-for-sale investments may be reclassified into fair value through profit or loss upon the adoption of new standards. Other than this, the Group's financial assets currently measured at amortised cost or fair value through profit or loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

In the opinion of the directors of the Company, the application of HKFRS 9 would not have a material impact on the Group's financial position and results of operations. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018.

HKFRS 15 "Revenue from contracts with customers" This new standard replaces the previous revenue standards: HKAS 18 "Revenue" and HKAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has undertaken a preliminary assessment of the impact of HKFRS 15 and does not expect its results of operations and financial position will be significantly impacted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New standard and amendments to standards have been issued but not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted: (continued)

HKFRS 16 "Leases" HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$19,133,000.

The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group is assessing the full impact of all new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle to their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

(a) Consolidation *(continued)*

(i) Business combinations (continued)

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollar. The consolidated financial statements are presented in HK dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within "finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other income".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Leasehold improvements, furniture and fixtures and office equipment	2-10 years
Machinery and factory equipment	2-10 years
Computer equipment	2-5 years
Motor vehicles	4-10 years

Construction-in-progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intend to hold for the use of the Group. They are carried at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. On completion, the amounts are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Land use right

The up-front prepayments made for land use right are accounted for as operating leases. They are expensed in the consolidated statement of comprehensive income on a straight-line basis over the periods of lease, or when there is impairment, the impairment is expensed in the consolidated statement of comprehensive income.

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment properties are carried at fair values, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from seven years over the expected life of the customer relationship.

(c) License

License acquired in a business combination is recognised at fair value at the acquisition date. License has an indefinite useful life and is carried at cost.

(d) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 3 to 10 years.

(e) Other intangible assets arising from business combinations

Intangible assets, other than goodwill, identified on business combinations are capitalised at their fair values. They represent mainly order backlogs, trading right and subscription right. Intangible assets arising from business combinations with definite useful lives are amortised on a straight-line basis from the date of acquisition over their estimated useful lives of five to eight years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group' s loans and receivables comprise trade and other receivables, restricted cash, loans and advances, client trust bank balances and cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

2.11.1 Classification *(continued)*

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) Held-to-maturity investment

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investment are initially recognised at fair value plus transaction cost for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category, including net gains/(losses) on disposal and remeasurement at fair value, are recognised in the consolidated statement of comprehensive income within "Revenue".

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When these securities are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "gains and losses on disposal of available-for-sale financial assets".

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.11 Financial assets

2.11.3 Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11.4 Assets classified as available-for-sale

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.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land use rights, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Completed properties held for sale

Completed properties remaining unsold at the end of reporting period are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Client trust bank balances

The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payables to the respective clients under the current liabilities section.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Deferred income liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the forseeable future, deferred income tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

The Group maintains defined contribution plans in both Hong Kong and the PRC. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Under the Group's defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plan

Provisions for bonus plans due wholly within twelve months after the end of reporting period are recognised when the Group has a legal or construction obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

– including any market performance conditions (for example, an entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sale of properties

Revenue from sale of properties is recognised when the risk and rewards of the properties are transferred to the purchasers, which occurs when legally binding unconditional sales contracts were entered, the construction of the relevant properties has been completed, the properties have been delivered to the purchasers pursuant to the sale contracts and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advance proceeds received from customers under current liabilities.

(c) License fee income

License fee income is recognised when the Group has delivered the software and documentation to the licensee, the related service conditions have been fulfilled and collectability of the license fee is reasonably assured.

(d) Sundry income

Sundry income is recognised when the right to receive payment is established.

(e) Commission and brokerage income

Commission and brokerage income on dealings in securities and futures contracts are recognised as revenue on the transactions dates when the relevant contract notes are executed.

(f) Consultancy fee income

Consultancy fee income is recognised on a time proportion basis.

(g) Management fee income and performance fee income

Management fee income and performance fee income are recognised when services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Revenue recognition *(continued)*

(h) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(i) Dividend income

Dividend income is recognised when the right to receive payment is established.

(j) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(k) Securities investment income

Securities investment income includes net gain/loss on financial assets and liabilities at fair value through profit or loss including realised gains/losses which are recognised on trade dates; and unrealised fair value gains/losses which are recognised in the period in which they arise.

(l) Installation income and maintenance income

Installation income and maintenance income are recognised when services are rendered.

2.26 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use right, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Lease income from operating leases where the Group is a lessor is recognised in consolidated statement of comprehensive income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

2.28 Assets/liabilities held-for-sale

Assets/liabilities are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred income tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.29 Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiaries are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiaries. The amount that may become payable under the option on exercise is initially recognised at fair value within other payables with a corresponding charge directly to equity.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires or unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.30 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.31 Loans and advances

Loans and advances are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any.

At the end of the reporting period, the Company assesses whether there is any objective evidence that loans and advances are impaired. Impairment losses on loans and advances are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the loans and advances' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognised.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group under policies approved by the directors of the Company.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and in the PRC. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and Chinese Renminbi ("RMB") denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency.

As at 31 December 2017 and 2016, the Group's borrowings are mainly denominated in Hong Kong dollar and United States ("US") dollar. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2017, if RMB had strengthened/weakened by 5% with all other variables held constant, there will be no significant impact on the post tax profit of the Group (2016: Same).

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

Price risk

The Group is exposed to equity price change arising from its financial assets at fair value through profit or loss and available-for-sale financial assets. The Group's financial instruments are equity securities which are subject to change in market prices of the securities. To manage its price risk arising from investments in equity securities, the Group diversity its portfolio.

As of 31 December 2017, the Group's investments in listed entities that are publicly traded are subject to price risk. A 10% change is used when reporting the price risk internally to the management. If the price of the respective equity instruments in available-for-sale financial assets and financial assets at fair value through profit or loss had been 10% higher/lower, the equity would have been increased/decreased by approximately HK$148,382,000 (2016: HK$93,131,000) and the profit would have been increased/decreased by approximately HK$116,995,000 (2016: HK$72,562,000), respectively.

The Group is not exposed to significant commodity price risk as at 31 December 2017 (2016: Same).

Interest rate risk

Except for the cash held at banks, the Group has no other significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2017, if interest rates on cash held at banks had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$5,694,000 (2016: HK$3,965,000) higher/lower, mainly as a result of higher/lower interest income on cash at banks.

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk.

At 31 December 2017, if interest rates on borrowings had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$872,000 (2016: HK$1,603,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk mainly arises from trade and other receivables, loans and advances, available-for-sale investments, held-to-maturity investment, financial assets at fair value through profit or loss and cash and cash equivalents.

As at 31 December 2017, the top five debtors and the largest debtor accounted for approximately 38% (2016: 30%) and 16% (2016: 9%) of the Group's trade receivables balance, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders.

The Group provides clients with securities brokerage and margin financing for securities transactions, which are secured by clients' securities or deposits held as collateral. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken overdue debts. The overdue balances for margin clients are reviewed daily, and force-sell action may be taken against clients with overdue balances on case by case basis.

For other loans and advances, prior to the lending of loan, the financial strength, purpose of the borrowing and repayment ability of the borrower is reviewed to ensure the default probability is acceptably low.

For sales of machinery to automation customers, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery.

In order to minimise the credit risk of the Group, the management has implemented internal control procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Based on the Group's historical experience in collection of trade and other receivables, the directors and the management are of opinion that adequate provision has been made for uncollectible receivables.

Cash and cash equivalents were deposited in over ten financial institutions. The credit risk is considered to be low as the counterparties are reputable banks.

Certain share certificates of available-for-sale investments and financial assets at fair value through profit or loss are placed in reputable securities brokers institutions. The credit risks in respect of these available-for-sale investments are considered to be low.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, due to the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government management aims to monitor and manage its operating cashflows and transactions denominated in RMB regularly to minimise the respective liquidity risk.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2017					
Trade and bill payables	**–**	**737,629**	**–**	**–**	**737,629**
Other payables	**–**	**1,367,933**	**77,364**	**–**	**1,445,297**
Borrowings and interest payables (Note)	**417,903**	**14,107**	**186,356**	**32,550**	**650,916**
	417,903	**2,119,669**	**263,720**	**32,550**	**2,833,842**
At 31 December 2016					
Trade and bill payables	–	176,563	–	–	176,563
Other payables	–	403,135	–	264,833	667,968
Bank borrowings and interest payables (Note)	657,722	122,064	–	–	779,786
	657,722	701,762	–	264,833	1,624,317

Note: The contractual undiscounted cash flows under on demand does not contain any interest portion.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2017					
Borrowings and interest payables	**334,817**	**191,990**	**49,455**	**81,682**	**657,944**
At 31 December 2016					
Bank borrowings and interest payables	794,222	–	–	–	794,222

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debt.

The capital structure of the Group consists of borrowings and shareholder's equity. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. Consistent with others in the industry, the Group monitors capital on the basis of gross gearing ratio. This ratio is calculated as total borrowings divided by total equity.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

The Group's total borrowings and total equity and gross gearing ratio at 31 December 2017 and 2016 were as follows:

	2017	2016
Total borrowings (HK$'000)	**625,865**	779,572
Total equity (HK$'000)	**7,769,381**	5,149,362
Gross gearing ratio (%)	**8.1**	15.1

3.3 Fair value estimation

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated statement of financial position are disclosed by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed shares classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise unlisted securities classified as financial assets at fair value through profit or loss.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise available-for-sale financial assets and put option liability in relation to acquisition of subsidiaries that do not have a quoted market price in an active market as of 31 December 2017 and 2016.

Specific valuation techniques used to value financial instruments include: Quoted market prices or dealer quotes for similar instruments.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's assets/(liabilities) that are measured at fair value at 31 December 2017 and 2016:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	**933,110**	**19,850**	**–**	**952,960**
Available-for-sale financial assets	**1,483,818**	**–**	**51,032**	**1,534,850**
	2,416,928	**19,850**	**51,032**	**2,487,810**
Liability				
Put option liability in relation to acquisition of subsidiaries (Note 43(b))	**–**	**–**	**242,733**	**242,733**
Liability in relation to guaranteed return	**–**	**77,364**	**–**	**77,364**
	–	**77,364**	**242,733**	**320,097**
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss	725,621	23,280	–	748,901
Available-for-sale financial assets	931,311	–	55,466	986,777
	1,656,932	23,280	55,466	1,735,678
Liability				
Put option liability in relation to acquisition of subsidiaries (Note 43(b))	–	–	257,159	257,159

There were no transfers between level 1, level 2 and level 3 during the year.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2017:

	Available-for-sale financial assets HK$'000	Put option liability in relation to acquisition of subsidiaries HK$'000
Opening balance at 1 January 2017	**55,466**	**(257,159)**
Impairment loss recognised in profit or loss	**(4,434)**	**–**
Adjustment on put option liability recognised in profit or loss	**–**	**14,426**
Closing balance at 31 December 2017	**51,032**	**(242,733)**

The following table presents the changes in level 3 instruments for the year ended 31 December 2016:

	Available-for-sale financial assets HK$'000	Put option liability in relation to acquisition of subsidiaries HK$'000
Opening balance at 1 January 2016	86,550	–
Acquisition of subsidiaries (Note 43(b))	–	(257,159)
Impairment loss recognised in profit or loss	(15,000)	–
Settlement during the year	(16,084)	–
Closing balance at 31 December 2016	55,466	(257,159)

Note:

As at 31 December 2016 and 2017, the Group valued its investments in unlisted shares classified as available-for-sale financial asset using a combination of market approach and cost approach which is not based on observable inputs. The available-for-sale financial asset was measured at cost less impairment in preceding year.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.4 Fair value measurements using significant unobservable inputs (Level 3) *(continued)*

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The following table summaries the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at 31 December 2017 HK$'000	2016 HK$'000	Valuation technique(s)	Unobservable inputs 2017	2016	Range (weighted average) 2017	2016	Relationship of unobservable inputs to fair value
Equity securities	**20,006**	20,006	Market comparable approach using equity allocation method	**Volatility**	Volatility	**50%**	50%	The higher the volatility, the higher the fair value
Equity securities	**27,026**	27,026	Market comparable approach using equity allocation method	**Volatility**	Volatility	**50%**	50%	The higher the volatility, the higher the fair value
Equity securities	**4,000**	8,434	Combination of cost approach and market comparable approach using equity allocation method	**Volatility**	Volatility	**40%**	40%	The higher the volatility, the higher the fair value

3.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The finance department reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, and the finance department at least once every month, in line with the Group's monthly reporting dates.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the monthly valuation discussions between the CFO, and the finance department. As part of that discussion, the finance department presents a report that explains the reasons for the fair value movements.

The fair value of financial assets/(liabilities) measured at amortised cost approximate their carrying amount.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.6 Offsetting financial instruments

The following tables present details of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

	As at 31 December 2017					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in statement of financial position HK$'000	Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade receivables	541,455	(185,332)	356,123	–	–	356,123

	As at 31 December 2017					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in statement of financial position HK$'000	Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade and bill payables	922,961	(185,332)	737,629	–	–	737,629

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.6 Offsetting financial instruments *(continued)*

	As at 31 December 2016					
		Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in statement of financial position	Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial assets			Financial instruments other than cash collateral	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	473,967	(239,547)	234,420	–	–	234,420

	As at 31 December 2016					
		Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in statement of financial position	Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial liabilities			Financial instruments other than cash collateral	Cash collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bill payables	416,110	(239,547)	176,563	–	–	176,563

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Impairment of property, plant and equipment, land use right and intangible assets

Property, plant and equipment, land use right and intangible assets are reviewed for impairment whenever events or change in circumstances indicate that the carrying amounts may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs to sell calculations. The calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the Continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(b) Estimated recoverability of trade and other receivables and loans and advances

The Group's management determines the provision for impairment of trade and other receivables and loans and advances based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(c) Income taxes

The Group is mainly subject to income taxes in jurisdictions in Hong Kong and the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognises these land appreciation taxes based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Valuation of properties under development, properties held for sale and investment properties in respect of the acquisition of Laihua Taisheng Limited

The purchase price was allocated to the identifiable assets and liabilities acquired based on management's estimates of fair value.

The valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from selling prices in an active market for similar properties, together with the location, the size and the age of the properties, and uses assumptions that are mainly based on market conditions existing on acquisition date.

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 8.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer of the Company (the "CEO") that are used to make strategic decisions.

In order to broaden the source of income and offer better returns to Shareholders, the Board has adopted Property Investment and Development as one of the principal business activities of the Group during the year. The adoption of this new segment resulted in a change in the presentation of information. The investment properties and fair value gain which were previously presented under unallocated segment asset are now presented as segment asset and under segment operating results under the Property Investment and Development segment. The Directors will seek investment and development opportunities in the property market in Hong Kong and in the People's Republic of China (the "PRC") so as to better utilise the existing resources of the Group to maximise return to the shareholders, broaden the income source and improve the financial position of the Group.

The reportable segments were classified as Automation, Financial Services, Manufacturing, Property Investment and Development and Securities Investment:

- Automation Segment represents the trading of automated production related equipment trading business;
- Financial Services Segment represents regulated business activities in respective to financial services under the SFO in Hong Kong;
- Manufacturing Segment represents the LED manufacturing of a range of high-technology and new energy products business;
- Securities Investment Segment represents the investment activities through direct investments in listed and unlisted securities;
- Property Investment and Development Segment represents the properties investment activities and property development project in Hong Kong and the PRC.

The revenue from external parties is measured in a manner consistent with that in the consolidated financial statements.

5 SEGMENT INFORMATION *(continued)*

Certain other gains – net, other income – net, and administrative expenses are not allocated to segments, as they are inseparable and not attributable to particular reportable segments. Finance income – net and share of (loss)/profit of associates and provision for impairment of investment in an associate are not allocated to segments, as these type of activities are managed by the central finance and accounting function, which manages the working capital of the Group. The CEO assesses the performance of the operating segments based on a measure of operating profit, which is in a manner consistent with that of the consolidated financial statements.

The Group's revenue by segment is as follows:

	2017			2016		
	Total segment revenue HK$'000	**Inter segment revenue HK$'000**	**Revenue from external customers HK$'000**	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000
Automation	**612,999**	**–**	**612,999**	553,680	–	553,680
Financial Services	**148,098**	**(2,343)**	**145,755**	91,073	(6,120)	84,953
Manufacturing	**122,946**	**–**	**122,946**	58,080	–	58,080
Property Investment and Development	**1,421,591**	**(8,857)**	**1,412,734**	–	–	–
Securities Investment	**530,853**	**–**	**530,853**	298,847	–	298,847
Total	**2,836,487**	**(11,200)**	**2,825,287**	1,001,680	(6,120)	995,560

An analysis of revenue of the Group is as follows:

	2017 HK$'000	2016 HK$'000
Sale of goods	**725,924**	576,344
Sale of properties	**1,390,012**	–
Securities investment income	**498,656**	320,137
Interest income from money lending	**70,762**	20,207
Installation and maintenance income	**10,021**	35,416
Rental income	**22,722**	–
Commission and brokerage income	**101,108**	36,084
Management fee and performance fee income	**6,082**	7,372
	2,825,287	995,560

5 SEGMENT INFORMATION *(continued)*

Reportable segment information is reconciled to profit before income tax as follows:

	2017 HK$'000	2016 HK$'000
Operating profit/(loss)		
Automation	**34,231**	32,608
Financial Services	**64,413**	50,623
Manufacturing	**(60,972)**	(35,103)
Property Investment and Development	**445,219**	445,995
Securities Investment	**556,243**	311,548
	1,039,134	805,671
Unallocated:		
Other gains – net	**4,563**	318
Other income	**41,630**	39,805
Administrative expenses	**(31,925)**	(27,194)
Finance income – net	**10,673**	19,898
Share of (loss)/profit of associates	**(3,460)**	13,532
Provision for impairment of investment in an associate	**(5,212)**	(2,400)
Profit before income tax	**1,055,403**	849,630
Other segment items – depreciation and amortisation		
Automation	**(123)**	(3,157)
Financial Services	**(7,868)**	(4,366)
Manufacturing	**(24,508)**	(609)
Property Investment and Development	**(42)**	–
Securities Investment	**(326)**	(24)
Unallocated	**(6,946)**	(2,277)
	(39,813)	(10,433)

During the year ended 31 December 2016, the Group recognised provision for impairment of intangible assets of HK$5,042,000 in unallocated segment.

5 SEGMENT INFORMATION *(continued)*

The assets are reconciled to total assets as follows:

	2017 HK$'000	2016 HK$'000
Segment assets		
Automation	**488,077**	366,135
Financial Services	**1,331,507**	1,356,026
Manufacturing	**247,195**	134,876
Property Investment and Development	**4,077,629**	1,590,730
Securities Investment	**3,004,435**	1,753,390
Segment assets for reportable segments	**9,148,843**	5,201,157
Unallocated:		
Property, plant and equipment	**265,598**	371,495
Available-for-sale financial assets	**136,616**	170,280
Investments in associates	**–**	82,207
Prepayments, deposits and other receivables	**2,100**	4,412
Current income tax recoverable	**–**	1,651
Held-to-maturity investment	**60,000**	25,000
Financial assets at fair value through profit or loss	**19,850**	23,280
Cash and cash equivalents	**1,327,999**	1,027,082
Assets classified as held-for-sale (Note 24)	**–**	99,176
Total assets	**10,961,006**	7,005,740

The information provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets represent property, plant and equipment, land use right, investment properties, intangible assets, available-for-sale financial assets, loans and advances, trade receivables, prepayments, deposits and other receivables, cash and cash equivalents, client trust bank balances, restricted cash, inventories, held-to-maturity investment, lease receivables, properties under development, completed properties held for sale, and financial assets at fair value through profit or loss attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment, prepayments, deposits and other receivables, cash and cash equivalents, investments in associates, current income tax recoverable, held-to-maturity investment, financial assets at fair value through profit or loss and, available-for-sale financial assets which are inseparable and are not attributable to particular reportable segments, as well as assets classified as held-for-sale.

5 SEGMENT INFORMATION *(continued)*

Reportable segments liabilities are reconciled to total liabilities as follows:

	2017 HK$'000	2016 HK$'000
Segment liabilities		
Automation	**198,704**	212,765
Financial Services	**511,170**	454,203
Manufacturing	**58,049**	11,043
Property Investment and Development	**1,490,028**	289,010
Securities Investment	**82,318**	606,197
Segment liabilities for reportable segments	**2,340,269**	1,573,218
Unallocated:		
Accruals and other payables	**353,995**	16,161
Borrowings	**315,967**	159,200
Current income tax liabilities	**84,346**	27,323
Deferred income tax liabilities	**97,048**	63,146
Liabilities relating to assets classified as held-for-sale (Note 24)	**–**	17,330
Total liabilities	**3,191,625**	1,856,378

The information provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment liabilities represent trade and bills payables, accruals and other payables, deferred income tax liabilities and borrowings attributed to various reportable segments.

Unallocated segment liabilities comprise accruals and other payables, borrowings, current income tax liabilities, deferred income tax liabilities and liabilities relating to assets classified as held-for-sale, which are inseparable and are not attributable to particular reportable segments.

Revenue from external customers for Manufacturing and Automation segments are derived from the sales of goods net of returns. Revenue from Securities Investment segment is derived from realised and unrealised gains/(losses) of financial assets at fair value through profit or loss. Revenue from Financial Services includes commission and brokerage income on dealings in securities and future contracts, interest income from loans and advances, consulting fee income, management fee and performance fee income from financial services. Revenue from Property Investment and Development are derived from the sales of residential properties and car parking space and rental income from offices, workshops and dormitory.

The Group's revenue derived from external customers located in Hong Kong, the PRC and the United States of America (the "USA"), is HK$180,294,000 (2016: HK$69,783,000), HK$2,145,898,000 (2016: HK$599,678,000) and HK$439,000 (2016: HK$5,962,000) respectively. The remaining balances of the Group's revenue represented securities trading in Financial Services segment and Securities Investment segment.

The total amount of non-current assets other than available-for-sale financial assets, deferred income tax asset, trade receivables and finance lease receivables, located in the PRC and Hong Kong is HK$2,421,285,000 (2016: HK$1,606,223,000) and HK$657,980,000 (2016: HK$650,993,000) respectively, and the total amount of these non-current assets located in other countries is Nil (2016: HK$5,397,000).

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
As at 1 January 2016							
Cost	145,199	11,708	183,600	3,878	2,231	93,668	440,284
Accumulated depreciation and impairment	(145,199)	(11,438)	(183,120)	(3,594)	(2,214)	(93,668)	(439,233)
	–	270	480	284	17	–	1,051
For the year ended 31 December 2016							
Opening net book amount	–	270	480	284	17	–	1,051
Additions	268,636	6,996	6,131	1,075	764	3,200	286,802
Acquisition of subsidiaries (Notes 43(b) and 44)	101,536	–	–	1,579	166	–	103,281
Disposal	–	–	(594)	(185)	–	–	(779)
Depreciation	(1,269)	(990)	(405)	(361)	(107)	–	(3,132)
Closing net book amount	368,903	6,276	5,612	2,392	840	3,200	387,223
At 31 December 2016							
Cost	515,371	18,704	187,731	5,032	3,161	96,868	826,867
Accumulated depreciation and impairment	(146,468)	(12,428)	(182,119)	(2,640)	(2,321)	(93,668)	(439,644)
Net book amount	368,903	6,276	5,612	2,392	840	3,200	387,223
For the year ended 31 December 2017							
Opening net book amount	**368,903**	**6,276**	**5,612**	**2,392**	**840**	**3,200**	**387,223**
Additions	**9,533**	**11,413**	**10,023**	**2,240**	**1,697**	**–**	**34,906**
Transfer from assets classified as held for sale	**31,260**	**4,734**	**29,326**	**1,381**	**1,485**	**(2,173)**	**66,013**
Transfer to investment properties (Note 8)	**(985)**	**–**	**–**	**–**	**–**	**–**	**(985)**
Acquisition of subsidiaries (Note 43(a))	**–**	**215**	**–**	**70**	**662**	**–**	**947**
Disposal	**–**	**–**	**(22,103)**	**(48)**	**(103)**	**–**	**(22,254)**
Depreciation	**(10,290)**	**(9,279)**	**(10,338)**	**(1,127)**	**(1,558)**	**–**	**(32,592)**
Closing net book amount	**398,421**	**13,359**	**12,520**	**4,908**	**3,023**	**1,027**	**433,258**
At 31 December 2017							
Cost	**554,703**	**35,066**	**45,117**	**8,675**	**6,259**	**94,695**	**744,515**
Accumulated depreciation and impairment	**(156,282)**	**(21,707)**	**(32,597)**	**(3,767)**	**(3,236)**	**(93,668)**	**(311,257)**
Net book amount	**398,421**	**13,359**	**12,520**	**4,908**	**3,023**	**1,027**	**433,258**

6 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK$5,214,000 (2016: HK$184,000) was charged to cost of sales and HK$27,378,000 (2016: HK$2,948,000) was charged to administrative expenses, respectively. During the year ended 31 December 2016 and 2017, no impairment loss was made.

The Group's buildings situated in the PRC and Hong Kong are under medium term leases.

The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction-in-progress and buildings, which is included in property, plant and equipment, amounted to HK$14,054,000 (2016: HK$14,960,000).

The Group carried out reviews of the recoverable amounts of each cash-generating unit ("CGU") which is determined as each operating segment.

Buildings with carrying value amounted to HK$265,774,000 (2016: HK$268,636,000) have been pledged to a bank to secure bank borrowings.

7 LAND USE RIGHT

The Group's interest in land use right represents prepaid operating lease payments. Its net book amount is analysed as follows:

	2017 HK$'000	2016 HK$'000
In the PRC		
Lease between 10 and 50 years	**4,105**	–

Movements during the year are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	**–**	–
Transfer from assets classified as held-for-sale	**4,575**	–
Transfer to investment properties	**(238)**	–
Amortisation	**(232)**	–
At end of year	**4,105**	–

8 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
Opening balance at 1 January	**1,590,524**	–
Acquisition of a subsidiary (Notes 43(a) and 44)	**520,026**	820,924
Additions	**64,997**	96,522
Transfer from property, plant and equipment	**985**	–
Transfer from land use right	**238**	–
Capitalised subsequent expenditure	**29,396**	177,354
Fair value gain on investment properties	**123,409**	462,734
Revaluation reserve arising from reclassification from property, plant and equipment	**8,401**	–
Currency translation differences	**109,256**	32,990
Closing balance at 31 December	**2,447,232**	1,590,524

The Group measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(a) Amounts recognised in profit and loss for investment properties

	2017 HK$'000	2016 HK$'000
Rental income	**22,722**	2,628
Direct operating expenses from property that generated rental income	**7,353**	443
Direct operating expenses from property that did not generate rental income	**5,969**	450

8 INVESTMENT PROPERTIES *(continued)*

(b) Fair value estimation of investment properties

Description	Fair value measurements at 31 December 2017 using Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements			
Investment properties:			
– Office, workshop, dormitory, shop, car parks, hotel and shopping arcade – the PRC	–	2,255,432	2,255,432
– Office and residential properties – Hong Kong	65,600	126,200	191,800
	65,600	2,381,632	2,447,232

Description	Fair value measurements at 31 December 2016 using Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements			
Investment properties:			
– Office, workshop and dormitory – the PRC	–	1,494,002	1,494,002
– Office – Hong Kong	96,522	–	96,522
	96,522	1,494,002	1,590,524

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

8 INVESTMENT PROPERTIES *(continued)*

(b) Fair value estimation of investment properties *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2017 HK$'000	31 December 2016 HK$'000
Opening balance	**1,494,002**	–
Acquisition of subsidiaries (Notes 43(a) and 44)	**520,026**	820,924
Transfer from Level 2	**126,200**	–
Transfer from property, plant and equipment	**985**	–
Transfer from land use right	**238**	–
Capitalised subsequent expenditure	**29,396**	177,354
Fair value gain on investment properties	**93,128**	462,734
Revaluation reserve arising from reclassification from property, plant and equipment	**8,401**	–
Currency translation differences	**109,256**	32,990
Closing balance	**2,381,632**	1,494,002

Valuation processes of the Group

Independent valuations of the Group's investment properties located in the PRC were performed by the external valuer, D&P China (HK) Limited ("D&P"), a division of Duff & Phelps, to determine the fair value of the investment properties as at 31 December 2017 and 2016.

For the investment properties located in Hong Kong, the valuations at 31 December 2017 and 2016 were performed by the external valuer, APAC Asset Valuation and Consulting Limited and by management respectively. As the investment properties were acquired near year ended 31 December 2016, management considered the considerations paid for the investment properties approximate their fair values as at 31 December 2016.

D&P and APAC Asset Valuation and Consulting Limited are independent and professionally qualified valuers that hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and external valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2017, the fair values of the properties were determined by external valuers.

8 INVESTMENT PROPERTIES *(continued)*

Valuation processes of the Group *(continued)*

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

During the year, the Group did not capitalise any borrowing costs (2016: HK$5,609,000) on investment properties under development in the PRC.

Valuation techniques

Properties in Shenzhen, the PRC

As at 31 December 2017 and 2016, the valuations were determined using income approach (term and reversionary method) based on the following significant unobservable inputs:

Vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Reversionary yield	Based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Current market rent rates	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents for similar properties;

Properties under development in Shenzhen and Ganzhou, the PRC

As at 31 December 2017 and 2016, the valuations of properties under development in Shenzhen and Ganzhou were determinded using residual approach and combination of market approach and residual approach, respectively, based on the following significant unobservable input:

Estimated construction costs	These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions, less cost of percentage of completion on the construction. Estimated construction costs also include a reasonable profit margin;

Properties in Hong Kong

As at 31 December 2016, the fair values of investment properties located in Hong Kong were determined by management. As these investment properties were acquired near year ended 31 December 2016, management considered the consideration paid for these investment properties approximate their fair values as at 31 December 2016. As at 31 December 2017, the Group engaged external valuer to perform the valuation of these investment properties and revised the valuation method to direct comparison approach. While the valuations of certain properties located in Hong Kong had taken into consideration of existing tenancies, the fair value measurement of such properties was reclassified to Level 3 with the following significant unobservable input:

Reversionary yield	Based on actual location, size and quality of the properties and taking into account market data at the valuation date.

For the property which was valued by applying direct comparison approach without consideration of existing tenancies, the fair value measurement remained as Level 2.

Other than described above, there were no changes in valuation techniques during the year.

8 INVESTMENT PROPERTIES *(continued)*

Valuation techniques *(continued)*

The following table analyses the level 3 investment properties carried at fair value, by valuation techniques.

Description	Fair value at 31 December 2017 HK$'000	2016 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted averaged) 2017	2016	Relationship of unobservable inputs to fair value
Properties in – Shenzhen, the PRC	**541,858**	503,319	Income approach (term and reversionary method)	Vacancy rates	**5%**	5%	The higher the vacancy rates, the lower the fair value
				Reversionary yield	**6%**	6%	The higher the reversionary yield, the lower the fair value
				Current market rent rates	**RMB60 per square meter per month**	RMB46 per square meter per month	The higher the current market rent rates, the higher the fair value
Properties under development in – Shenzhen, the PRC	**1,193,548**	990,683	Residual approach	Estimated construction costs	**RMB2,300 – 3,600 per square meter**	RMB1,900 - 3,400 per square meter	The higher the estimated construction costs, the lower the fair value
– Ganzhou, the PRC	**520,026**	–	Combination of market approach and residual approach	Estimated construction costs	**RMB7,200 per square meter**	–	The higher the estimated construction costs, the lower the fair value
Properties in Hong Kong	**126,200**	–	Direct comparison approach	Reversionary yield	**2.8%**	–	The higher the reversionary yield, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the reversionary yield with higher vacancy rates resulting in higher yields. For investment properties under development, increases in estimated construction costs that enhance the properties features may result in an increase of future rental values when the properties are completed. An increase in future rental income may be linked with higher costs. If the remaining lease term increase, the yield may decrease.

The investment properties in the PRC are located at Bangkai Technology Industrial Park, No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC and Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC respectively. The investment properties in Hong Kong are located in Lippo Centre, Hong Kong and Kennedy Park at Central, Hong Kong.

9 INTANGIBLE ASSETS

	Goodwill HK$'000	Trademarks and patents HK$'000	Contractual customers relationships HK$'000	License HK$'000	Other intangible assets HK$'000	Total HK$'000
For the year ended 31 December 2016						
Opening net book amount	46,222	–	2,899	–	142	49,263
Acquisition of subsidiaries (Notes 43(b) and 44)	104,236	3,801	41,213	10,997	3,608	163,855
Additions	–	1,884	–	–	–	1,884
Amortisation	–	(301)	(6,591)	–	(409)	(7,301)
Impairment	(1,500)	(3,542)	–	–	–	(5,042)
Closing net book amount	148,958	1,842	37,521	10,997	3,341	202,659
At 31 December 2016						
Cost	152,358	5,685	55,710	10,997	4,440	229,190
Accumulated amortisation and impairment	(3,400)	(3,843)	(18,189)	–	(1,099)	(26,531)
Net book amount	148,958	1,842	37,521	10,997	3,341	202,659
For the year ended 31 December 2017						
Opening net book amount	**148,958**	**1,842**	**37,521**	**10,997**	**3,341**	**202,659**
Amortisation	**–**	**(273)**	**(6,264)**	**–**	**(452)**	**(6,989)**
Disposal of a subsidiary	**(1,000)**	**–**	**–**	**–**	**–**	**(1,000)**
Closing net book amount	**147,958**	**1,569**	**31,257**	**10,997**	**2,889**	**194,670**
At 31 December 2017						
Cost	**151,358**	**5,685**	**55,710**	**10,997**	**4,440**	**228,190**
Accumulated amortisation and impairment	**(3,400)**	**(4,116)**	**(24,453)**	**–**	**(1,551)**	**(33,520)**
Net book amount	**147,958**	**1,569**	**31,257**	**10,997**	**2,889**	**194,670**

9 INTANGIBLE ASSETS *(continued)*

During the year ended 31 December 2017, amortisation expense of HK$6,989,000 (2016: HK$7,301,000) is charged to the consolidated statement of comprehensive income. No impairment loss was charged to consolidated statement of comprehensive income in relation to goodwill (2016: HK$1,500,000). There were no impairment loss on trademarks and patents in 2017 (2016: 3,542,000). During the year ended 31 December 2017, goodwill under Manufacturing segment of HK$1,000,000 was derecognised through disposal of a subsidiary.

Impairment test for goodwill

Management considered each operating segments represents a separate CGU for the purpose of goodwill impairment testing.

As of 31 December 2017, the carrying amounts of goodwill allocated to the Automation, Financial Services and Manufacturing segments amounted to HK$43,722,000 (2016: HK$43,722,000), HK$104,236,000 (2016: HK$104,236,000) and Nil (2016: HK$1,000,000) respectively.

The recoverable amounts of the CGUs are determined based on value-in-use calculations or fair value less cost of disposal with reference to market price, whichever is higher.

For value-in-use calculations, management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

For Automation segment and Financial Services segment, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years with a terminal value related to the future earnings potential of CGU beyond the next five years to determine the recoverable amount of CGU. The financial budgets and growth rates are estimated based on past performance and its expectations of market development. The key assumptions used for the value-in-use calculations are as follows:

	Automation	Financial Services
For the year ended 31 December 2017		
Growth rate	**5%**	**20%**
Discount rate	**10%**	**9%**
For the year ended 31 December 2016		
Growth rate	5%	N/A (Note)
Discount rate	10%	N/A (Note)

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs.

For Manufacturing segment, the Group determined the recoverable amount of CGU based on fair value less cost of disposal with reference to market price. As at 31 December 2017 and 2016, the recoverable amount was higher than its carrying amount, management was of the view that no impairment loss was necessary.

Note: For Financial Services segment, the goodwill was determined provisionally as at 31 December 2016. The management of the Group considered that no provision for impairment loss was necessary as the management has not identified any impairment indicator as at 31 December 2016.

10 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Directly held:					
Great Sphere Developments Limited	3 July 2012	The British Virgin Islands (The "BVI"), limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Success Charm Holdings Limited	11 May 2009	The BVI, limited liability company	27,774,264 ordinary shares of US$1 each	100%	Investment holding
Indirectly held:					
ACE Grand Limited	3 October 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Property Investment
B&K Rechargeable Battery Holding (HK) Limited	17 January 2011	Hong Kong, limited liability company	10,000 ordinary shares, HK$10,000	75.5%	Inactive
Bao Da Financial International Limited	6 August 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Xin Health Industry Limited	8 July 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Xin International Asset Management Limited	3 July 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Yao International Technology Limited	6 August 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Baoneng Cultural Tourism Limited	24 November 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
Brilliant Victory Holdings Limited	23 November 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Charming Lion Limited	6 May 2009	The BVI, limited liability company	2 ordinary shares of US$1 each	100%	Investment holding
Cherry Light Limited	11 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
China Goldjoy Asset Management Limited	30 March 2012	Hong Kong, limited liability company	14,000,000 ordinary shares, HK$14,000,000	80%	Providing asset management services

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
China Goldjoy Bullion Limited	4 June 2013	Hong Kong, limited liability company	20,000,000 ordinary shares, HK$20,000,000	80%	Providing bullion trading services
China Goldjoy Credit Limited	24 October 2014	Hong Kong, limited liability company	353,333,330 ordinary shares, HK$353,333,330	80%	Providing money lending services
China Goldjoy Investment Limited	13 March 2014	Hong Kong, limited liability company	4,000,000 ordinary shares, HK$4,000,000	80%	Investment holding
China Goldjoy Securities Limited	30 October 1998	Hong Kong, limited liability company	327,500,000 ordinary shares, HK$327,890,000	80%	Providing securities brokerage services
China Goldjoy Services Limited	28 October 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	80%	Providing back office support to the Group
China Goldjoy Wealth Management Limited	30 March 2012	Hong Kong, limited liability company	600,000 ordinary shares, HK$600,000	80%	Providing insurance services
Cyber Communications Company Limited	24 February 2011	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Cyber Energy Limited	18 December 2009	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Cyber Lighting Technology Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Cyber Medics Company Limited	24 February 2011	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Inactive
Cyber Products Technology Company Limited	2 March 2011	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Inactive
Cyber Vision Technology Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Cybertouch-Tech Company Limited	13 October 2000	Hong Kong, limited liability company	10,000 ordinary shares, HK$10,000	100%	Inactive
Ever Firm Limited	6 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Fast Prestige Limited	16 April 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
FingerQ Secure Network Limited	19 February 2013	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Trading of software
FingerQ Technology Limited	30 May 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Forever Best Investments Limited	9 August 2013	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Inactive
Gain Glory Holdings Limited	28 September 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
Gallant Tech Limited	10 May 2007	Hong Kong, limited liability company	5,000,000 ordinary shares, HK$5,000,000	100%	Trading of machines and spare parts and investment holding
Giant Leap International Limited	27 September 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Gigantic Increase Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding
Golden Affluent Limited	21 November 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Golden Vast Limited	11 April 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Golden Vast Macao Commercial Offshore Limited	25 February 2003	Macau, limited liability company	1 share of MOP$1,000,000 each	100%	Trading of electronic products
Goldjoy Holding Limited (formerly known as China Foresea Finance Group Limited)	14 October 2015	The Cayman Islands, limited liability company	27,500 ordinary shares of US$1 each	100%	Investment holding
Grand Sheen Group Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Handmoon Investments Limited	31 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property Investment
Harvest Joy Investments Limited	26 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property Investment

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
鶴山市世逸電子科技有限公司 (He Shan World Fair Electronics Technology Ltd.)*	18 November 2004	The PRC, limited liability company	Registered US$57,250,000, paid up US$57,250,000	100%	Manufacturing of printed circuit board touch pad
Hong Kong Bao Da Financial Holdings Limited	18 August 2015	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Hong Kong Bao Xin Asset Management Limited	23 April 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Hong Kong Bao Xin Health Industry Limited	18 July 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Hong Kong Bao Yao Technology Limited	20 August 2015	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Jumbo Wisdom Investments Limited	12 May 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
萊華泰盛有限公司 (Laihua TaiSheng Limited)*	8 June 2011	The PRC, limited liability company	Registered RMB1,650,000,000, paid up RMB1,650,000,000	100%	Property development
霖動企業管理諮詢（上海）有限公司 (Lin Dong Corporate Management Consulting (Shanghai) Co., Limited)*	21 August 2017	The PRC, limited liability company	Registered RMB2,000,000, paid up RMB2,000,000	80%	Consultation on corporate management
Majestic Fortune Limited	11 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Metro Grow Limited	3 November 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding
Novel Forward Limited	17 May 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding
Proficient Power Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding

* For identification purpose only

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Prominent Up Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	80%	Investment holding
Rich Inward Limited	16 December 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
上海創光電子有限公司 (Shanghai Chuangguang Electronics Co., Limited)*	7 April 2017	The PRC, limited liability company	Registered RMB5,000,000, paid up RMB5,000,000	100%	Trading of machines and spare parts
上海雄愉投資管理有限公司 (Shanghai Hunlicar Investment Management Co., Ltd.)*	4 May 2014	The PRC, limited liability company	Registered RMB50,000,000, paid up RMB50,000,000	80%	Investment Management
深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Limited)*	4 November 1999	The PRC, limited liability company	Registered RMB720,000,000, paid up RMB720,000,000	75.5%	Properties investment
深圳邦凱商置有限公司 (前稱深圳邦凱商貿有限公司) (Shenzhen Bangkai Commercial Property Co., Ltd. (formerly known as Shenzhen B&K Trading Co., Limited))*	26 February 2014	The PRC, limited liability company	Registered RMB30,000,000, paid up RMB1,000,000	75.5%	Inactive
深圳寶達金融服務有限公司 (Shenzhen Bao Da Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB800,000,000, paid up RMB360,936,600	100%	Investment holding
深圳寶開實業有限公司 (前稱深圳新凱科技有限公司) (Shenzhen Bao Kai Assets Holdings Limited (formerly known as Shenzhen Xin Kai Technology Co., Limited))*	26 October 2016	The PRC, limited liability company	Registered RMB226,181,800, paid up RMB226,181,800	100%	Investment holding
深圳寶信金融服務有限公司 (Shenzhen Bao Xin Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB500,000,000, paid up RMB305,428,000	100%	Inactive
深圳寶耀建設工程有限公司 (Shenzhen Bao Yao Construction Engineering Co., Limited)*	21 March 2016	The PRC, limited liability company	Registered RMB10,000,000, paid up RMB10,000,000	100%	Construction, lighting engineering design and import and export

* For identification purpose only

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
深圳寶耀科技有限公司 (Shenzhen Bao Yao Technology Co., Ltd.)*	21 October 2015	The PRC, limited liability company	Registered RMB100,000,000, paid up RMB100,000,000	100%	Manufacturing and trading of lighting products
深圳寶開投資控股有限公司 (Shenzhen Baokai Investment Holdings Ltd.*	11 April 2016	The PRC, limited liability company	Registered RMB1,800,000,000, paid up RMB530,035,800	100%	Investment holding
深圳寶新健康產業有限公司 (Shenzhen Baoxin Health Industrial Co., Ltd.)*	16 August 2016	The PRC, limited liability company	Registered HK$200,000,000, paid up HK$200,000,000	100%	Providing corporate management consulting and conducting research and development in health products
深圳佳力融資租賃有限公司 (Shenzhen Gallant Financial Leasing Co., Ltd.)*	8 November 2016	The PRC, limited liability company	Registered HK$500,000,000, paid up HK$116,000,000	100%	Finance leasing
深圳市佳力興業電子科技有限公司 (Shenzhen Gallant Tech Co., Ltd.)*	23 June 2006	The PRC, limited liability company	Registered RMB260,000,000, paid up RMB1,500,000	100%	Trading of machines and spare parts
深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Energy-saving Technology Co., Limited)*	16 November 2015	The PRC, limited liability company	Registered RMB380,000,000, paid up RMB380,000,000	100%	Investment holding
深圳前海寶新股權投資基金管理有限公司 (Shenzhen Qianhai Bao Xin Equity Investment Fund Management Co., Ltd.)*	1 April 2017	The PRC, limited liability company	Registered RMB50,000,000, paid up RMB50,000,000	80%	Investment Management
深圳前海宏基金業有限公司 (Shenzhen Qianhai KB Bullion Limited)*	23 April 2015	The PRC, limited liability company	Registered RMB10,000,000, paid up RMB10,000,000	80%	Providing bullion trading services
Shining Union Limited	9 July 2009	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Management and holding of patents, trademarks and designs
Silkray Limited	11 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Smart Riches Limited	13 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Soaring Elite Investments Limited	16 May 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Stellar Result Limited	1 April 2016	The BVI, limited liability company	1 ordinary share of US$1 each	80%	Investment holding

* For identification purpose only

10 PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/ registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Surplus Creation Investments Limited	3 January 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Ultra Glory Investments Limited	17 May 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property Investment
Up Castle Limited	9 July 2009	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Trading of electronic products
World Design Technology Limited	4 November 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
World Fair International Limited	27 December 1996	Hong Kong, limited liability company	100,000 ordinary shares, HK$100,000	100%	Trading of electronic products
深圳世達光電科技有限公司 (WWTT Technology China Limited)*	1 November 2011	The PRC, limited liability company	Registered HK$1,000,000, paid up HK$1,000,000	100%	Research and development
China Goldjoy SPC Fund	20 January 2017	The Cayman Islands, limited liability company	HK$1,000,000	100%	SPC Investment in shares
雄愉全天候 CTA1 號私募投資基金 (Hunlicar All Weather CTA No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB38,000,000	63%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉股債互換策略 1 號私募投資基金 (Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB25,000,000	96%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉股票精選 1 號私募投資基金 (Hunlicar Equity Choice No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB25,000,000	96%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉量化對沖 1 號私募投資基金 (Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB25,000,000	96%	Investment in A-Share, Southbound Trading and futures in the PRC

* For identification purpose only

10 PRINCIPAL SUBSIDIARIES *(continued)*

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2017 is HK$523,466,000 (2016: HK$446,765,000), of which HK$174,242,000 (2016: HK$167,850,000) is attributed to Goldjoy Holding Limited (formerly known as "China Foresea Finance Group Limited") and its subsidiaries ("Goldjoy Holding Group"), HK$330,578,000 (2016: HK$278,915,000) is attributed to 深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Energy-saving Technology Co., Ltd.)* and its subsidiaries (collectively as "Hongsheng Group"), and HK$14,690,000 (2016: Nil) is attributed to Hunlicar All Weather CTA No.1 Private equity Investment Fund ("Hunlicar All Weather CTA").

Hunlicar All Weather CTA together with three other funds were set up during the year with certain percentage of equity interest held by non-controlling interests. Initial capital injection into these four funds from non-controlling interests amounted to HK$20,230,000.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised consolidated financial information for subsidiaries that has non-controlling interests that are material to the Group.

Summarised consolidated statement of financial position

	Hunlicar All Weather CTA		Goldjoy Holding Group		Hongsheng Group	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current						
Assets	**39,991**	–	**1,451,167**	1,415,482	**9,516**	7,343
Liabilities	**(115)**	–	**(626,594)**	(618,335)	**(337,328)**	(291,968)
Total current net assets/(liabilities)	**39,876**	–	**824,573**	797,147	**(327,812)**	(284,625)
Non-current						
Assets	**–**	–	**50,290**	53,905	**1,911,230**	1,620,087
Liabilities	**–**	–	**(7,450)**	(11,800)	**(178,114)**	(123,890)
Total non-current net assets	**–**	–	**42,840**	42,105	**1,733,116**	1,496,197
Net assets	**39,876**	–	**867,413**	839,252	**1,405,304**	1,211,572

Summarised consolidated statement of comprehensive income

	Hunlicar All Weather CTA		Goldjoy Holding Group		Hongsheng Group	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss on investment)/revenue	**(4,198)**	-	**148,098**	91,073	**28,808**	–
(Loss)/profit before income tax	**(5,175)**	-	**36,443**	47,841	**135,962**	482,262
Income tax expense	**–**	-	**(5,668)**	(8,356)	**(34,434)**	(122,291)
(Loss)/profit after income tax	**(5,175)**	-	**30,775**	39,485	**101,528**	359,971
Total comprehensive (loss)/income	**(5,345)**	-	**30,775**	39,485	**193,732**	359,971
Total comprehensive (loss)/income allocated to Non-controlling interests	**(1,967)**	-	**6,392**	8,228	**47,464**	179,588

* For identification purpose only

10 PRINCIPAL SUBSIDIARIES *(continued)*

(a) Material non-controlling interests *(continued)*

Summarised consolidated statement of cash flows

	Hunlicar All Weather CTA		Goldjoy Holding Group		Hongsheng Group	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Net cash (used in)/generated from operating activities	**(5,166)**	–	**186,788**	(792,580)	**61,438**	12,886
Net cash used in investing activities	**–**	–	**(7,127)**	(271,464)	**(51,386)**	(12,885)
Net cash generated from/(used in) financing activities	**45,327**	–	**(199,359)**	1,129,019	**(11,850)**	(12,723)
Net increase/(decrease) in cash and cash equivalents	**40,161**	–	**(19,698)**	64,975	**(1,798)**	(12,722)
Cash and cash equivalents at date of incorporation/beginning of the year	**–**	–	**72,427**	7,452	**5,562**	18,785
Exchange losses on cash and cash equivalents	**(170)**	–	**–**	–	**234**	(501)
Cash and cash equivalents at end of year	**39,991**	–	**52,729**	72,427	**3,998**	5,562

11 INVESTMENTS IN ASSOCIATES

	2017	2016
	HK$'000	HK$'000
At 1 January	**82,207**	7,771
Acquisition of an associate	**–**	59,249
Gain on deemed disposal of partial interest in an associate	**–**	4,055
Dividend received	**(9,339)**	–
Disposal of an associate	**(64,196)**	–
Share of (loss)/profit of associates	**(3,460)**	13,532
Provision for impairment of investment in an associate	**(5,212)**	(2,400)
At 31 December	**–**	82,207

On 1 April 2016, the Group acquired 33.21% of equity interest in 湛江集付通金融服務股份有限公司 (for identification only, Zhanjiang Jifutor Financial Services Joint Stock Company Limited, "Zhanjiang JFT"). Subsequently on 22 November 2016, the Group's equity interest in Zhanjiang JFT was diluted to 22.62% as a result of capital injection from other shareholders resulting in a gain on deemed disposal of partial interest of HK$4,055,000. On 29 June 2017, the Group disposed of all equity interest in this associate at a consideration of HK$89,170,000. The carrying amount of interest in Zhanjiang JFT on date of disposal was HK$64,196,000. The Group recognised a gain on disposal of HK$24,974,000 during the year.

Set out below are the associates of the Group as at 31 December 2017 and 2016. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

11 INVESTMENTS IN ASSOCIATES *(continued)*

Name	Place of business/ country of incorporation	Ownership interest 2017	Ownership interest 2016	Principal activities	Measurement method
Advanced Radio Device Technologies, Inc. ("ARDT")	Korea	**43%**	43%	Research and development, manufacturing sales and marketing of semiconductors for communication and related equipment	Equity
Tekmar, Inc.	USA	**37.76%**	37.76%	Research and development, manufacturing sales of carrier grade wireless telecommunication systems and components	Equity
Zhangjiang JFT	The PRC	**–**	22.62%	Securities investment, provision of consultancy services for financial institutions, trading of goods and provision of credit/financing facilities letter	Equity

ARDT and Tekmar, Inc. are private companies and there is no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

During the year ended 31 December 2017, due to the poor financial performance of ARDT, the Group has made an impairment provision for the interest in ARDT of HK$5,212,000 (2016: HK$2,400,000).

The Group has fully impaired the interest in Tekmar, Inc. in prior years and did not have any unrecognised share of losses of associates.

Summarised financial information for an associate material to the Group

Set out below are the summarised financial information for Zhanjiang JFT which are accounted for using the equity method.

Summarised statement of financial position

	Zhanjiang JFT 2016 HK$'000
Current	
Total current assets	298,005
Total current liabilities	(43,523)
Non-current	
Total non-current assets	85,084
Total non-current liabilities	–
Net assets	339,566

11 INVESTMENTS IN ASSOCIATES *(continued)*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in a material associate.

Summarised financial information

	Zhanjiang JFT 2016 HK$'000
Opening net assets at acquisition date	280,789
Profit for the year	58,777
Closing net assets	339,566
% of ownership	22.62%
Interest in associates	76,810
Goodwill	–
Carrying value	76,810

Summarised statement of comprehensive income

	Zhanjiang JFT 2016 HK$'000
Revenue	90,617
Profit for the year	58,777
Post-tax profit for the year	58,777
Total comprehensive income	58,777

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Listed shares:		
– Equity securities – Norway	**84,364**	112,986
– Equity securities – the USA	**1,221**	1,828
– Equity securities – Hong Kong	**1,242,800**	816,497
– Equity securities – the PRC	**155,433**	–
	1,483,818	931,311
Unlisted shares	**51,032**	55,466
	1,534,850	986,777

As at 31 December 2017, the fair values of listed shares are determined on the basis of their quoted market prices at the end of reporting period. Unlisted shares with aggregated carrying amount of HK$51,032,000 (2016: HK$55,466,000) are measured at fair value determined by using combination of market approach and cost approach based on unobservable inputs and included in Level 3 financial instruments in Note 3.3.

At the end of reporting period, the Group's available-for-sale financial assets were individually reviewed for impairment by management. Impairment loss of HK$4,434,000 has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017 (2016: HK$15,000,000).

No listed securities have been pledged to a bank to secure bank borrowings (2016: HK$816,497,000).

13 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**5,885**	1,073
Work in progress	**11,568**	6,026
Finished goods	**38,059**	28,970
	55,512	36,069

Cost of inventories of HK$635,971,000 (2016: HK$501,719,000) (Note 31) has been included in cost of sales.

14 PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Within normal operating cycle included under current assets	**524,212**	–
The balance comprises:		
– Land cost	**131,128**	–
– Construction cost	**351,222**	–
– Capitalised interests	**41,862**	–
	524,212	–

The properties under development are all located in the PRC.

14 PROPERTIES UNDER DEVELOPMENT *(continued)*

	2017 HK$'000	2016 HK$'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**230,114**	–
Expected to be completed and available for sale within 12 months	**294,098**	–
	524,212	–

15 COMPLETED PROPERTIES HELD FOR SALE

	2017 HK$'000	2016 HK$'000
Completed properties held for sale	**698,267**	–

The completed properties held for sale are all located in the PRC.

16 LOANS AND ADVANCES

	2017 HK$'000	2016 HK$'000
Loans and advances (Note (a))	**475,657**	575,711
Margin loans receivables (Note (b))	**417,247**	411,894
	892,904	987,605

Notes:

(a) The loans and advances are secured and/or backed by guarantee. Credit limits are set for borrowers based on the quality of collateral held and the financial background of the borrower. Collateral values and overdue balances are reviewed and monitored regularly.

The carrying amounts of loans and advances are denominated in Hong Kong dollars.

(b) The credit facility limits granted to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The loans to margin clients are secured by the underlying pledged securities and are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call and the clients have to make good the shortfall.

As at 31 December 2017, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of HK$2,121,683,000 (2016: HK$2,362,564,000).

The carrying amount of margin loan receivables reflects a reasonable approximation of its fair value.

17 TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**367,481**	240,298
Less: Provision for impairment of receivables	**(3,017)**	(2,501)
Trade receivables – net	**364,464**	237,797
Less: non-current portion	**(8,341)**	(3,377)
Current portion	**356,123**	234,420

The carrying amounts of trade receivables approximate their fair values.

For customers of Manufacturing, the Group generally grants a credit period of 30 to 90 days to its customers. For customers of Automation products, a credit period ranging from 30 days to 60 days after acceptance is generally granted with exception of some trade customers where the credit period of 12-18 months are granted. For customers of Property Investment and Development, the balances are due upon issuance of invoices. Therefore, the entire balance falls within the ageing group of 0 –30 days. The ageing analysis of trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**280,702**	123,266
31 to 60 days	**32,983**	37,477
61 to 90 days	**10,390**	14,703
91 to 120 days	**8,699**	6,885
Over 120 days	**34,707**	57,967
	367,481	240,298

As at 31 December 2017, trade receivables of HK$300,188,000 (2016: HK$134,841,000) are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

17 TRADE RECEIVABLES *(continued)*

As at 31 December 2017, trade receivables of HK$67,293,000 (2016: HK$102,956,000) were past due but not impaired. No provision has been made against these balances as the directors consider the amounts being recoverable and there is no recent history of default. The ageing analysis of these debtors based on due date is as follows:

	2017 **HK$'000**	2016 HK$'000
1 to 30 days	**24,724**	54,786
31 to 60 days	**17,038**	12,336
61 to 90 days	**3,184**	12,056
91 to 120 days	**3,671**	3,109
Over 120 days	**18,676**	20,669
	67,293	102,956

As of 31 December 2017, there was HK$3,017,000 of provision for impairment of trade receivables (2016: HK$2,501,000). Amounts due from these customers were aged over 120 days.

Trade receivables are denominated in the following currencies:

	2017 **HK$'000**	2016 HK$'000
US dollar	**60,954**	95,381
Hong Kong dollar	**92,827**	31,227
RMB	**197,893**	110,820
Euro ("EUR")	**1,816**	1,245
Japanese Yen ("JPY")	**13,991**	1,625
	367,481	240,298

Movements on the provision for impairment of trade receivables are as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**2,501**	390
Provision for impairment of trade receivables	**516**	–
Receivables written off during the year as uncollectible	**–**	(254)
Transferred from assets classified as held-for-sale	**–**	2,365
At 31 December	**3,017**	2,501

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables. The Group does not hold any collateral in respective of these balances.

18 FINANCE LEASE RECEIVABLES

The Group leases machinery to its customer. This lease is classified as a finance lease and has remaining lease term of 5 years. The customer shall purchase or has an option to purchase the leased machinery at the end of lease term of the finance lease.

	2017 **HK$'000**	2016 HK$'000
Finance lease receivables, non-current portion	**104,382**	–
Finance lease receivables, current portion	**19,789**	–
	124,171	–

At 31 December 2017, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		**Present value of minimum lease receivables**	
	2017 **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Amounts receivable:				
Within one year	**36,454**	–	**33,814**	–
In the second to fifth years, inclusive	**136,702**	–	**90,357**	–
Total minimum finance lease receivables	**173,156**	–	**124,171**	–
Unearned finance income	**(48,985)**	–		
Total net finance lease receivables	**124,171**	–		
Portion classified as current assets	**(19,789)**	–		
Non-current portion	**104,382**	–		

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Utility and other deposits	**121,999**	7,897
Value-added tax recoverable	**4,144**	4,472
Escrow amount receivable	**–**	504
Consultancy fee income receivable	**27,635**	15,092
Prepayment for property development	**83,748**	–
Prepayment for inventories	**11,004**	1,571
Bond interest receivable	**3,945**	154
Others	**23,908**	4,343
	276,383	34,033

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

20 HELD-TO-MATURITY INVESTMENT

	2017 **HK$'000**	2016 HK$'000
Listed securities:		
– Corporate bond with fixed interest of 10% and maturity date of 8 February 2017 – Hong Kong	**–**	25,000
– Corporate bond with fixed interest 12% and maturity date of 14 June 2018 – Hong Kong	**60,000**	–
	60,000	25,000

The movement in held-to-maturity investment is summarised as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 January	**25,000**	–
Additions	**60,000**	25,000
Matured	**(25,000)**	–
At 31 December	**60,000**	25,000
Less: non-current portion	**–**	–
Current portion	**60,000**	25,000

Held-to-maturity investment is denominated in Hong Kong dollar.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed securities:		
– Equity securities – the PRC	**58,635**	39,619
– Equity securities – Hong Kong	**874,475**	686,002
	933,110	725,621
Other securities	**19,850**	23,280
	952,960	748,901

The Group's financial assets at fair value through profit or loss are denominated in Hong Kong dollar. The fair values of listed shares are based on their current bid prices in an active market.

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND CLIENT TRUST BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash in hand	**103**	224
Cash at banks	**2,147,440**	995,742
Short-term bank deposits less than 3 months	**83,826**	539,667
Cash and cash equivalents	**2,231,369**	1,535,633
Restricted cash	**46,154**	–
Client trust bank balances	**101,031**	50,485

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND CLIENT TRUST BANK BALANCES *(continued)*

Cash and cash equivalents, restricted cash and client trust bank balances are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	**302,462**	737,786
US dollar	**626,316**	178,336
Hong Kong dollar	**1,446,049**	605,640
Others	**3,727**	64,356
	2,378,554	1,586,118

The conversion of RMB into foreign currencies and remittance of RMB out of bank balances in the PRC are subject to the rules and regulations of the foreign exchange control promulgated by the Chinese government.

The Group maintains trust and segregated accounts of HK$101,031,000 (2016: HK$50,485,000) with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

In accordance with certain PRC regulations, property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for constructions of properties. At the end of reporting period, the deposits of approximately HK$46,154,000 (2016: Nil) can only be used to pay for relevant property development projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. The restriction will be released upon the construction is completed or the real estate ownership certificate of pre-sold properties is issued, whichever is earlier.

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousand)	**Share capital HK$'000**	**Share premium HK$'000**	**Total HK$'000**
At 1 January 2016	21,548,598	2,154,860	2,054,151	4,209,011
Shares issued (Note a)	600,000	60,000	348,000	408,000
At 31 December 2016	22,148,598	2,214,860	2,402,151	4,617,011
At 1 January 2017	**22,148,598**	**2,214,860**	**2,402,151**	**4,617,011**
Shares issued (Note b)	**2,528,732**	**252,873**	**1,297,124**	**1,549,997**
Shares issued by exercise of share option	**2,000**	**200**	**1,010**	**1,210**
At 31 December 2017	**24,679,330**	**2,467,933**	**3,700,285**	**6,168,218**

23 SHARE CAPITAL AND PREMIUM *(continued)*

Note a: On 14 September 2016, the Group entered into the placing agreement, pursuant to which the investors agreed to subscribe for 600,000,000 new shares ("Share Placement"). The Share Placement was completed on 20 October 2016.

The shares were issued at a price of HK$0.68 per share for a total cash consideration of HK$408,000,000.

Note b: On 25 October 2017, the Group entered into a share subscription agreement with a subscriber, pursuant to which the subscriber agreed to subscribe for 862,068,000 new shares at a price of HK$0.58 per share. The subscription was completed on 13 November 2017 for a total cash consideration of HK$499,999,000.

On 3 December 2017, the Group entered into three subscription agreements with the subscribers pursuant to which the subscribers agreed to subscribe for a total of 2,857,140,000 new shares at a price of HK$0.63 per share. On 22 December 2017, 1,666,664,000 shares were issued for a total cash consideration of HK$1,049,998,000.

24 ASSETS CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD-FOR-SALE

On 28 December 2015, the assets and liabilities related to Charming Lion Limited, World Fair International Limited and Heshan World Fair Electronics Technology Limited (collectively known as "Charming Lion Group"), wholly-owned subsidiaries of the Group, was presented as held-for-sale following the approval of the Group's management to sell Charming Lion Group. During the year ended 31 December 2016, a memorandum of understanding (the "MOU") was entered into between Success Charm Holdings Limited ("Success Charm") and independent third party (the "Proposed Purchaser") on 26 February 2016 to sell Charming Lion Group.

On 14 September 2017, an agreement was entered into between Success Charm and the Proposed Purchaser to terminate the MOU and the Group's management considered the assets and liabilities of Charming Lion Group can no longer meet the criteria for classification as held-for-sale. Accordingly, the specified assets as held-for-sale and liabilities relating to assets classified as held-for-sale were reclassified to assets and liabilities of the Group.

(a) Assets of Charming Lion Group classified as held-for-sale as at 31 December 2016

	2016 HK$'000
Property, plant and equipment	65,569
Land use right	4,575
Deferred income tax assets	1,089
Prepayments, deposits and other receivables	716
Inventories	27,227
	99,176

24 ASSETS CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD-FOR-SALE *(continued)*

(b) Liabilities of Charming Lion Group relating to assets classified as held-for-sale as at 31 December 2016

	2016 HK$'000
Trade payables	6,943
Accruals and other payables	5,360
Deferred income tax liabilities	181
Current income tax liabilities	4,846
	17,330

25 OTHER RESERVES AND RETAINED EARNINGS

	Merger reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Share option reserve HK$'000	Statutory reserve (Note c) HK$'000	Other reserve HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Retained earning HK$'000	Total HK$'000
For the year ended 31 December 2016									
At 1 January 2016	(215,150)	12,411	370	33,987	–	54,304	(14,798)	69,870	(59,006)
Profit for the year	–	–	–	–	–	–	–	466,593	466,593
Other comprehensive (loss)/income:									
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(80,129)	–	–	(80,129)
Currency translation differences	–	–	–	–	–	–	18,566	–	18,566
Total other comprehensive (loss)/income	–	–	–	–	–	(80,129)	18,566	–	(61,563)
Total comprehensive (loss)/income	–	–	–	–	–	(80,129)	18,566	466,593	405,030
Dividends	–	–	–	–	–	–	–	(53,871)	(53,871)
Put option liability (Note 43(b))	–	–	–	–	(257,159)	–	–	–	(257,159)
Change in ownership interests in subsidiaries without change of control in relation to acquisition of subsidiaries accounted for as business combination (Note 43(b))	–	–	–	–	(11,342)	–	–	–	(11,342)
Change in ownership interests in subsidiaries without change of control in relation to acquisition of subsidiaries accounted for as acquisition of assets (Note 44)	–	–	–	–	44,013	–	–	–	44,013
Transfer to statutory reserve	–	–	–	37,383	–	–	–	(19,462)	17,921
At 31 December 2016	(215,150)	12,411	370	71,370	(224,488)	(25,825)	3,768	463,130	85,586

25 OTHER RESERVES AND RETAINED EARNINGS *(continued)*

	Merger reserve (Note a) HK$'000	Capital reserve (Note b) HK$'000	Share option reserve HK$'000	Statutory reserve (Note c) HK$'000	Other reserve HK$'000	Available-for-sale financial assets HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
For the year ended 31 December 2017									
At 1 January 2017	(215,150)	12,411	370	71,370	(224,488)	(25,825)	3,768	463,130	85,586
Profit for the year	-	-	-	-	-	-	-	869,170	869,170
Other comprehensive income									
Fair value gain on available-for-sale financial assets, net of tax	-	-	-	-	-	76,874	-	-	76,874
Currency translation differences	-	-	-	-	-	-	108,911	-	108,911
Total other comprehensive income	-	-	-	-	-	76,874	108,911	-	185,785
Total comprehensive income	-	-	-	-	-	76,874	108,911	869,170	1,054,955
Dividends	-	-	-	-	-	-	-	(70,875)	(70,875)
Exercise of share options	-	-	(370)	-	-	-	-	-	(370)
Revaluation reserve arising from reclassification of property, plant and equipment to investment properties (Note 8)	-	-	-	-	8,401	-	-	-	8,401
Transfer to statutory reserve	-	-	-	32,385	-	-	-	(32,385)	-
At 31 December 2017	(215,150)	12,411	-	103,755	(216,087)	51,049	112,679	1,229,040	1,077,697

(a) Merger reserve represents the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Group reorganisation in 2009.

(b) Capital reserve of the Group represents the net assets attributable to non-controlling shareholders which were acquired pursuant to the Group reorganisation in 2009, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares under share incentive scheme approved and adopted by the Group in 2008.

(c) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. The PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

26 BORROWINGS

	2017 HK$'000	2016 HK$'000
Non-current		
Corporate bonds	31,723	–
Bank loans, secured	176,239	–
	207,962	–
Current		
Bank loans, secured	329,856	681,050
Trust receipts loans, secured	88,047	98,522
	417,903	779,572
	625,865	779,572

The Group's borrowings at the end of the reporting period were repayable as follows:

	Bank borrowings		Other borrowings	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Within one year	417,903	779,572	–	–
Between one and two years	176,239	–	–	–
Between two and five years	–	–	31,723	–
	594,142	779,572	31,723	–

As at 31 December 2017, the Company's weighted average interest rate per annum of bank borrowings was 4.01% (2016: 2.58%).

26 BORROWINGS *(continued)*

Bank borrowings are secured by corporate guarantees provided by the Company and certain of its subsidiaries, property, plant and equipment (Note 6) and investment properties (Note 8).

As at 31 December 2017 and 31 December 2016, the Group has not breached any of the covenants of the banking facilities.

During the year ended 31 December 2017, the Company issued bonds with aggregated amount of HK$31,723,000 (2016: Nil) to several independent third parties with 5% coupon rates per annum, payable in 3 years from the respective issue dates.

The fair values of the bonds as at 31 December 2017 amounted to approximately HK$31,723,000 (2016: Nil).

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group and are within Level 2 of the fair value hierarchy.

	2017 **HK$'000**	2016 HK$'000
US dollar	**88,047**	98,522
Hong Kong dollar	**361,579**	669,200
RMB	**176,239**	11,850
	625,865	779,572

27 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following balances, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2017 **HK$'000**	2016 HK$'000
Deferred income tax assets to be settled after more than 12 months	**9,194**	–
Deferred income tax liabilities to be settled after more than 12 months	**(283,647)**	(184,915)

27 DEFERRED INCOME TAX *(continued)*

The gross movements on the deferred income tax liabilities/(assets) are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	**184,915**	11,900
Acquisition of subsidiaries (Notes 43 and 44)	**100,764**	9,210
(Credited)/Charged to the consolidated statement of comprehensive income (Note 34)	**(22,125)**	163,805
Credited to other comprehensive income	**(9,194)**	–
Transferred from assets classified as held-for-sale	**(1,089)**	–
Transferred from liabilities relating to assets classified as held-for-sale	**181**	–
Currency translation difference	**21,001**	–
At end of year	**274,453**	184,915

	Accelerated tax depreciation allowance		**Unrealised (profits)/losses in inventories**		**Fair value gains/(losses)**		**Unrealised profits in financial assets at fair value through profit or loss**		**Intangible assets identified in acquisition**		**Total**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Deferred income tax liabilities/(assets)												
At 1 January	**–**	–	**–**	–	**115,699**	670	**60,654**	11,230	**8,562**	–	**184,915**	11,900
(Credited to)/charged to the consolidated statement of comprehensive income	**(82)**	–	**1,089**	–	**(51,947)**	115,029	**29,926**	49,424	**(1,111)**	(648)	**(22,125)**	163,805
Credited to other comprehensive income	**–**	–	**–**	–	**(9,194)**	–	**–**	–	**–**	–	**(9,194)**	–
Acquisition of subsidiaries	**–**	–	**–**	–	**100,764**	–	**–**	–	**–**	9,210	**100,764**	9,210
Transferred from assets classified as held-for-sale	**–**	–	**(1,089)**	–	**–**	–	**–**	–	**–**	–	**(1,089)**	–
Transferred from liabilities relating to assets classified as held-for-sale	**181**	–	**–**	–	**–**	–	**–**	–	**–**	–	**181**	–
Currency translation differences	**–**	–	**–**	–	**21,001**	–	**–**	–	**–**	–	**21,001**	–
At 31 December	**99**	–	**–**	–	**176,323**	115,699	**90,580**	60,654	**7,451**	8,562	**274,453**	184,915

In the opinion of the directors of the Company, all unremitted earnings of the Group's subsidiaries in the PRC are to be reinvested and deferred income tax liabilities of HK$16,809,000 (2016: HK$809,000) has not been recognised for withholding tax and other tax on these unremitted retained earnings amounted to HK$336,173,000 (2016: HK$16,175,000).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$25,753,000 (2016: HK$10,863,000) in respect of losses amounting to HK$129,613,000 (2016: HK$64,011,000) that can be carried forward against future taxable income due to uncertainty of availability of future taxable income. Except for tax losses of HK$51,363,000 (2016: HK$3,532,000) that will be expired in 5 years, such losses do not have expiry date.

28 TRADE AND BILLS PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**724,612**	174,669
Bills payables	**13,017**	1,894
	737,629	176,563

The ageing analysis of trade and bills payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**699,289**	98,059
31 to 60 days	**7,290**	20,953
61 to 90 days	**8,946**	8,248
91 to 120 days	**6,641**	8,487
Over 120 days	**15,463**	40,816
	737,629	176,563

The carrying amounts of trade and bills payables approximate their fair values.

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	**429,006**	6,208
US dollar	**69,442**	116,783
Hong Kong dollar	**225,605**	51,677
EUR	**559**	–
JPY	**13,017**	1,895
	737,629	176,563

29 ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Current		
Salary and wages payable	**16,054**	8,109
Accrued operating expenses	**14,841**	10,381
Advance receipts from customers	**142,437**	7,127
Provision for value-added tax and other taxes in the PRC	**50,303**	7,057
Commission payables	**493**	1,557
Interest payable	**–**	861
Payables for acquisition of subsidiaries	**339,749**	200,256
Deposits received	**3,372**	8,349
Payables for construction costs	**534,436**	137,152
Put option liability in relation to acquisition of subsidiaries (Note 43(b))	**242,733**	–
Other accruals and other payables (Note)	**38,356**	32,667
	1,382,774	413,516
Non-current		
Put option liability in relation to acquisition of subsidiaries (Note 43(b))	**–**	257,159
Liability in relation to guaranteed return	**77,364**	–
	1,460,138	670,675

The carrying amounts of accruals and other payables approximate their fair values. As at 31 December 2017, approximately 78% (2016: 55%) of the carrying amounts of accruals and other payables are denominated in RMB, the remainings are mainly denominated in Hong Kong dollar.

30 OTHER GAINS – NET AND OTHER INCOME

	2017 HK$'000	2016 HK$'000
Other gains – net		
Gain on disposal of available-for-sale financial assets	**809**	12,595
Gain on deemed disposal of partial interest in an associate (Note 11)	**–**	4,055
Provision for impairment of goodwill	**–**	(1,500)
Provision for impairment of available-for-sale financial assets	**(4,434)**	(15,000)
Gain on disposal of subsidiaries	**1,300**	–
Gain on disposal of an associate (Note 11)	**24,974**	–
Provision for impairment of other receivables	**(27,160)**	–
Gain on disposal of property, plant and equipment and intangible assets	**9,074**	168
	4,563	318
Other income		
Dividend income	**59,950**	31,498
Consultancy fee income	**32,239**	35,213
Rental income	**–**	2,628
Sub-licensing income	**6,530**	1,655
Write-back of trade and other payables	**2,342**	2,456
Others	**14,223**	5,664
	115,284	79,114

31 EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Employee benefit expenses (Note 32)	**133,377**	85,724
Director's and chief executive's emoluments (Note 46)	**6,972**	5,400
Cost of inventories (Note 13)	**635,971**	501,719
Cost of properties sold	**1,282,343**	–
Provision for impairment of intangible assets other than goodwill	**–**	3,542
Provision for impairment of trade receivables (Note 17)	**516**	–
Auditor's remuneration		
– Audit services	**3,548**	3,282
– Non-audit services	**2,988**	3,352
Depreciation of property, plant and equipment (Note 6)	**32,592**	3,132
Amortisation of intangible assets (Note 9)	**6,989**	7,301
Amortisation of land use right (Note 7)	**232**	–
Operating lease rentals – office premises, factory and warehouse	**13,159**	9,667
Consumables and factory supplies	**1,680**	368
Electricity, water and utilities expenses	**8,609**	8,372
Freight and transportation	**3,337**	3,302
Bank charges	**6,620**	5,423
Other tax levies	**7,609**	3,592
Research and development expenses	**5,468**	–
Commission expenses	**18,638**	14,991
Advertising and promotion expenses	**7,726**	3,601
Net foreign exchange (gains)/losses	**(4,856)**	9,021
Legal and professional fees	**7,329**	10,338
Others	**42,306**	36,999
Total cost of sales, distribution costs and administrative expenses	**2,223,153**	719,126

32 EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS)

	2017 HK$'000	2016 HK$'000
Wages and salaries	**119,853**	72,643
Other employee benefits	**5,300**	6,284
Pension costs-defined contribution plans and social security costs	**8,224**	6,797
	133,377	85,724

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,500 since June 2014 and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. The employees contribute approximately 8% of their basic salaries, while the subsidiaries contribute approximately 17% of the basic salaries of its employees and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2016: two directors), whose emoluments are reflected in the analysis presented in Note 46. The emoluments payable to the remaining three individuals (2016: three individuals) during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	**11,538**	3,881
Retirement benefit-defined contribution scheme	**54**	45
	11,592	3,926

32 EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS) *(continued)*

(iii) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
	HK$'000	HK$'000
Emolument bands		
Under HK$1,000,000	**–**	–
HK$1,000,001-HK$1,500,000	**–**	3
HK$1,500,001-HK$2,000,000	**–**	–
HK$2,000,001-HK$2,500,000	**–**	–
HK$2,500,001-HK$3,000,000	**–**	–
HK$3,000,001-HK$3,500,000	**–**	–
HK$3,500,001-HK$4,000,000	**3**	–

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2016: Nil).

33 FINANCE INCOME – NET

	2017	2016
	HK$'000	HK$'000
Finance income:		
– Interest income on bank deposits	**6,678**	12,193
– Interest income on financial assets at fair value through profit or loss	**–**	1,640
– Interest income on held-to-maturity investment	**3,945**	–
– Interest income on loan to an independent third party	**–**	6,887
– Interest income from finance lease	**5,486**	–
– Adjustment on put option liability in relation to acquisition of subsidiaries (Note 43(b))	**14,426**	–
	30,535	20,720
Finance costs:		
– Bank loans	**(18,207)**	(461)
– Trust receipt loans	**(1,655)**	(361)
	(19,862)	(822)
Finance income – net	**10,673**	19,898

34 INCOME TAX EXPENSE

	2017 **HK$'000**	2016 HK$'000
Current income tax		
– Hong Kong profits tax	**74,774**	14,970
– PRC income tax	**95,489**	8,508
– PRC land appreciation tax	**16,927**	–
	187,190	23,478
(Over)/under provision in prior years	**(3,553)**	10
	183,637	23,488
Deferred income tax	**(22,125)**	171,733
	161,512	195,221

Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2016: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (2016: 25%). A 5% withholding income tax is also imposed on dividends relating to profits remitted from the subsidiaries in the PRC (2016: 5%).

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

34 INCOME TAX EXPENSE *(continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**1,055,403**	849,630
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	**205,945**	184,317
Income not subject to tax	**(73,861)**	(1,355)
Expenses not deductible for tax purposes	**4,855**	4,971
Tax effects of associates' results	**540**	(2,228)
(Over)/under provision in prior years	**(3,553)**	10
Utilisation of previously unrecognised tax loss	**(848)**	–
Tax loss not recognised	**15,738**	9,506
Provision for land appreciation tax	**16,927**	–
Tax effect on land appreciation tax	**(4,231)**	–
Income tax expense	**161,512**	195,221

35 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue.

	2017	2016
Earnings Profit attributable to equity holders of the Company (HK$'000)	**869,170**	466,593
Weighted average number of ordinary shares in issue (thousands)	**22,310,220**	21,668,270
Basic earnings per share	**HK$3.90 cents**	HK$2.15 cents

35 EARNINGS PER SHARE *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2017 HK$'000	2016 HK$'000
Earnings Profit attributable to equity holders of the Company (HK$'000)	**869,170**	466,593
Weighted average number of ordinary shares in issue (thousands)	**22,310,220**	21,668,270
Adjustments for:		
– Share options (thousands)	**419**	974
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**22,310,639**	21,669,244
Diluted earnings per share	**HK$3.90 cents**	HK$ 2.15 cents

36 DIVIDENDS

	2017 HK$'000	2016 HK$'000
2017 proposed final dividend – HK0.51 cent per share	**125,865**	–
2016 final dividend paid – HK0.32 cent per share	**–**	70,875
	125,865	70,875

A final dividend in respect of the financial year ended 31 December 2017 of HK0.51 cent per share (2016: HK0.32 cent per share), amounting to a total dividend of HK$125,865,000 (2016: HK$70,875,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2017 proposed final dividend is based on 24,679,330,100 shares in issue as at 31 December 2017 (2016: 22,148,598,100 shares in issue as at 31 December 2016). These consolidated financial statements do not reflect this dividend payable.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the year to cash generated from/(used in) operation

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**1,055,403**	849,630
Adjustments for:		
– Interest income	**(16,109)**	(20,720)
– Finance costs (Note 33)	**19,862**	822
– Dividend income (Note 30)	**(59,950)**	(31,498)
– Depreciation of property, plant and equipment (Note 6)	**32,592**	3,132
– Amortisation of intangible assets (Note 9)	**6,989**	7,301
– Amortisation of land use right (Note 7)	**232**	–
– Gain on disposal of property, plant and equipment and intangible assets (Note 30)	**(9,074)**	(168)
– Gain of disposal of available-for-sale financial assets (Note 30)	**(809)**	(12,595)
– Gain of disposal of an associate (Note 30)	**(24,974)**	–
– Gain of disposal of subsidiaries (Note 30)	**(1,300)**	–
– Fair value gain on investment properties (Note 8)	**(123,409)**	(462,734)
– Gain on deemed disposal of partial interest in an associate (Note 30)	**–**	(4,055)
– Gain on bargain purchase from acquisition of a subsidiary (Note 43(a))	**(208,012)**	–
– Write-back of trade and other payables (Note 30)	**(2,342)**	(2,456)
– Provision for impairment of goodwill (Note 9 and 30)	**–**	1,500
– Provision for impairment of intangible assets (Note 9 and 31)	**–**	3,542
– Provision for impairment of available-for-sale financial assets (Note 30)	**4,434**	15,000
– Provision for impairment of other receivables (Note 30)	**27,160**	–
– Share of loss/(profit) of associates (Note 11)	**3,460**	(13,532)
– Provision for impairment of investment in an associate (Note 11)	**5,212**	2,400
– Adjustment on put option liability (Note 33)	**(14,426)**	–
Operating profit before working capital changes	**694,939**	335,569
Changes in working capital:		
– Inventories	**7,502**	6,326
– Loans and advances	**94,701**	(793,414)
– Client trust bank balances	**(50,546)**	111,738
– Completed properties held for sale and properties under development	**1,269,653**	–
– Trade receivables	**(126,372)**	(115,117)
– Prepayments, deposits and other receivables	**(193,348)**	91,928
– Financial assets at fair value through profit or loss	**(203,213)**	(397,949)
– Trade and bill payables	**185,831**	(58,754)
– Accruals and other payables	**(1,141,596)**	17,001
Cash generated from/(used in) operations	**537,551**	(802,672)

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) In the consolidated statement of cash flows proceeds from disposal of property, plant and equipment and intangible assets comprise:

	2017 HK$'000	2016 HK$'000
Net book amount of property, plant and equipment (Note 6)	**22,254**	779
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**9,074**	168
Proceeds from disposal of property, plant and equipment under assets classified as held-for-sale	**–**	444
Proceeds from disposal of property, plant and equipment and intangible assets	**31,328**	1,391

(c) This section sets out an analysis the movements in liabilities from financing activities for each of the periods presented.

	Liabilities from financing activities				
	Corporate bonds HK$'000	**Bank loans, due after 1 year** HK$'000	**Bank loans, due within 1 year** HK$'000	**Trust receipts loans, due within 1 year** HK$'000	**Total** HK$'000
As at 1 January 2016	–	(12,500)	(12,500)	(5,225)	(30,225)
Cash flows	–	12,500	(485,425)	(93,297)	(566,222)
Acquisition of subsidiaries	–	–	(35,000)	–	(35,000)
Acquisition of assets	–	–	(148,125)	–	(148,125)
As at 31 December 2016	–	–	(681,050)	(98,522)	(779,572)
Cash flows	**(31,000)**	**–**	**351,194**	**10,475**	**330,669**
Interest accrued	**(723)**	**–**	**–**	**–**	**(723)**
Acquisition of subsidiaries through business combination	**–**	**(176,239)**	**–**	**–**	**(176,239)**
As at 31 December 2017	**(31,723)**	**(176,239)**	**(329,856)**	**(88,047)**	**(625,865)**

38 OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated statement of comprehensive income during the year is disclosed in Note 31 to the consolidated financial statements.

The future aggregate minimum lease payments under non-cancellable operating leases of the Group were as follows:

	2017 **HK$'000**	2016 HK$'000
Not later than one year	**9,359**	5,776
Later than one year and not later than five years	**9,774**	350
	19,133	6,126

The Group as lessor

The Group acquired various offices, workshops and dormitories during the year as disclosed in Note 8 to the consolidated financial statements.

The future minimum lease payments receivable under non-cancellable operating leases of the Group were as follows:

	2017 **HK$'000**	2016 HK$'000
Not later than one year	**34,266**	13,218
Later than one year and not later than five years	**59,624**	33,726
More than five years	**311**	–
	94,201	46,944

39 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred by the Group were as follows:

	2017 **HK$'000**	2016 HK$'000
Property, plant and equipment	**577**	2,066
Investment properties	**155,966**	145,035
Investment in a subsidiary	**–**	4,716
Property development expenditures	**556,402**	–

40 FINANCIAL GUARANTEE

	2017 HK$'000	2016 HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note)	**957,379**	–

Note: The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

41 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group has renewed a three-year residential premises lease agreement with Mr. Wong Kwok Fong, the former controlling shareholder of the Group on 1 January 2015, pursuant to which Heshan World Fair Electronics Technology Limited agreed to lease from Mr. Wong's certain residential premises in Jiangmen, China at an annual rental of RMB408,000 as residences for the Group's senior management. The lease agreement was terminated in October 2016.

(b) The Group signed a consultancy agreement with Baoneng Real Estate Stock Company Limited ("Baoneng"), a wholly owned subsidiary, on 1 January 2017, pursuant to which Shenzhen Baokai Investment Holdings Ltd agreed to provide consultancy services to Baoneng at an annual fee of RMB1,100,000 which mutually agreed by both parties.

(c) Key management compensation

	2017 HK$'000	2016 HK$'000
Directors' fees	**2,607**	2,183
Basic salaries, housing allowances, other allowances and benefits in kind	**15,769**	4,218
Contributions to pension plans	**188**	180
	18,564	6,581

42 SHARE-BASED PAYMENTS

Share options were granted to directors, certain members of the senior management and employees of the Company on 17 June 2013 (the "Date of Grant"). The exercise price of the granted options is HK$0.42, which represents the highest of (i) the official closing price of HK$0.41 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of HK$0.42 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Company's share. Options are granted unconditionally and vested immediately on the Date of Grant. The options are exercisable in ten years starting from the Date of Grant. The Group has no legal or constructive obligation to repurchase or settle options in cash.

The fair value of options, determined using Binomial-Model, was HK$0.185 per option. The significant inputs into the model was share price of HK$0.41 at the Date of Grant, exercise price shown above, volatility of 65%, dividend yield of 2%, an expected option life of ten years and an annual risk-free interest rate of 1.59%. The volatility was assumed based on the daily share price volatility of the Company and comparable companies for a historical observation period equal to the life of the options. Since the Company had a trading history shorter than the life of the options at the time of the grant, volatility was calculated with reference to comparable companies listed in Hong Kong and in the same industry as the Company.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2017		2016	
	Exercise price in HK$ per share option	**Options (thousands)**	Exercise price in HK$ per share option	Options (thousands)
At 1 January	**0.42**	**2,000**	0.42	2,000
Exercised	**(0.42)**	**(2,000)**	–	–
Expired	**–**	**–**	–	–
At 31 December	**–**	**–**	0.42	2,000

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price in HK$ per share option	**Options (thousands)**	
		2017	2016
Expiry date 16 June 2023	0.420	**–**	2,000

All outstanding options were exercisable upon the date of grant. 2,000,000 share options were exercised during the year ended 31 December 2017 (2016: Nil).

No share option expenses was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017 (2016: Nil).

43 BUSINESS COMBINATION

(a) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017

On 27 December 2017, the Group completed the acquisition of 100% equity interest in Tai Sheng from Lai Hua Properties and Investment Limited ("Vendor") pursuant to the sale and purchase agreement dated 4 August 2017, at a consideration of approximately RMB 1,720,000,000 (approximate to HK$2,046,800,000).

Tai Sheng held a property development project (the "Project") named Century Plaza located in Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC. This Project comprises of commercial buildings, a hotel, a shopping arcade, car park and residential properties.

A gain on bargain purchase (negative goodwill) of approximately HK$208,012,000 was recorded in consolidated statement of comprehensive income for the year ended 31 December 2017, which mainly arose from the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of identifiable assets acquired and liabilities assumed to their fair values with reference to the property valuation report carried out by D&P China (HK) Limited, a division of Duff & Phelps, an independent valuer.

The following table summarises the consideration paid for the above business combination, the fair value of assets acquired, liabilities assumed at the acquisition date.

43 BUSINESS COMBINATION *(continued)*

(a) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017 *(continued)*

	HK$'000
Consideration in cash	456,960
Assumption of the Vendor's payable	1,589,840
Total consideration	2,046,800
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Assets:	
Cash and cash equivalents	11,663
Restricted cash	46,154
Prepaid income tax	118,926
Deposits prepayments and other receivables	1,670,316
Properties under development	524,212
Completed properties held for sale	1,967,920
Investment properties	520,026
Property, plant and equipment	947
	4,860,164
Liabilities:	
Accruals and other payables	(324,852)
Trade payables	(385,778)
Advances received from the pre-sale of properties under development	(1,617,719)
Deferred income tax liabilities	(100,764)
Bank borrowing	(176,239)
	(2,605,352)
Total identifiable net assets	2,254,812
Gain on bargain purchase from acquisition	(208,012)
Net cash outflows arising from acquisition of a subsidiary	
Cash consideration	(456,960)
Consideration payable	339,749
Cash and cash equivalents	11,663
Net cash outflow	(105,548)

43 BUSINESS COMBINATION *(continued)*

(a) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017 *(continued)*

Acquisition-related costs of Tai Sheng of HK$2,890,000 have been changed to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2017 contributed by Tai Sheng was approximately HK$1,390,012,000.

Had Tai Sheng been consolidated from 1 January 2017, the consolidated statement of comprehensive income for the year ended 31 December 2017 would show pro-forma revenue of HK$1,394,218,000 and profit of HK$63,398,000.

(b) Acquisition of 70% equity interest in certain wholly-owned subsidiaries of China Yinsheng Capital Group Limited ("China Yinsheng") in 2016

On 30 March 2016, the Group entered into an agreement with China Yinsheng, Capital Group Limited ("China Yinsheng") through China Foresea Finance Group Limited ("China Foresea"), a wholly-owned subsidiary of the Group , pursuant to which the Group conditionally agreed to purchase, and China Yinsheng conditionally agreed to sell 70% interests in certain wholly-owned subsidiaries, China Goldjoy Asset Management, China Goldjoy Bullion, China Goldjoy Credit, China Goldjoy Investment, China Goldjoy Securities and China Goldjoy Wealth Management (collectively named as "Goldjoy Holding Group"), at cash consideration of HK$255,779,000. The Group completed the acquisition of Goldjoy Holding Group on 1 August 2016 (Note). Pursuant to the agreement, China Yinsheng is entitled to a put option to require the Group to purchase the remaining shares of Goldjoy Holding Group in full or in part before January 2019 at an agreed exercise price primarily based on the estimated future undistributed profit of Goldjoy Holding Group. Such right can be exercised by China Yinsheng once only after two years from the date of completion of acquisition on 1 August 2016. The fair value of the option amounted to HK$257,159,000 as at completion date (Note 29) was determined using discounted cash flow method and the key assumptions are the discount rate and forecasted revenue of Goldjoy Holdings Group. Subsequently, as at 31 December 2017, an adjustment on this put liability of HK$14,426,000 was determined based on the current year's estimate. The adjustment was recorded under finance income-net during the year.

The goodwill of HK$104,236,000 arising from the acquisition is attributable to economies of scale expected from combining the operations of the Group and Goldjoy Holding Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

43 BUSINESS COMBINATION *(continued)*

(b) Acquisition of 70% equity interest in certain wholly-owned subsidiaries of China Yinsheng Capital Group Limited ("China Yinsheng") in 2016 *(continued)*

The following table summarises the consideration paid for Goldjoy Holding Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	HK$'000
Consideration	255,779
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,547
Intangible assets	55,818
Loans and advances	142,471
Trade receivables	6,797
Prepayments, deposits and other receivables	7,327
Financial assets at fair value through profit or loss	4,111
Client trust bank balances	162,223
Cash and cash equivalents	7,452
Trade and bill payables	(119,473)
Accruals and other payables	(647)
Bank borrowing	(35,000)
Current income tax liabilities	(6,926)
Deferred income tax liabilities	(9,210)
Total identifiable net assets	216,490
Non-controlling interest	(64,947)
Goodwill (Note 9)	104,236
	255,779
Net cash outflows arising from acquisition of subsidiaries	
Cash paid	(255,779)
Cash and cash equivalents acquired	7,452
	(248,327)

Note: On 3 May 2016, the Group completed the acquisition of 70% equity interests in China Goldjoy Credit. Upon completion of the acquisition, China Goldjoy Credit became a subsidiary of the Group. The Group completed acquisition of the remaining entities within Goldjoy Holding Group on 4 July 2016 and 1 August 2016.

43 BUSINESS COMBINATION *(continued)*

(b) Acquisition of 70% equity interest in certain wholly-owned subsidiaries of China Yinsheng Capital Group Limited ("China Yinsheng") in 2016 *(continued)*

The gross contractual amount for these loans and advances due is HK$142,471,000 which approximates its fair value.

Acquisition-related costs of Goldjoy Holding Group of HK$990,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Goldjoy Holding Group was HK$69,783,000 for the year ended 31 December 2016. Goldjoy Holding Group also contributed profit of HK$39,485,000 for the year ended 31 December 2016.

Had Goldjoy Holding Group been consolidated from 1 January 2016, the consolidated statement of comprehensive income for the year would show pro-forma revenue of HK$1,053,319,000 and profit of HK$667,060,000.

On 12 August 2016, Goldjoy Holding Limited issued additional shares to Great Sphere, a wholly-owned subsidiary of the Group, and China Yinsheng for cash consideration of HK$300,000,000 and HK$33,333,000, respectively. Upon the completion of this round of financing, Great Sphere's shareholding in Goldjoy Holding Group increased to 80%, whilst that held by China Yinsheng decreased to 20%. The difference between the deemed consideration and the non-controlling interests acquired amounted to HK$11,342,000, was recorded in other reserves in the consolidated statement of changes in equity.

On 29 November 2016, Goldjoy Holding Limited issued additional shares to Great Sphere and China Yinsheng for cash consideration of HK$200,000,000 and HK$50,000,000, respectively. The additional issuance of shares has no effect on the percentage of non-controlling interest.

44 ACQUISITION OF SUBSIDIARIES

On 13 June 2016, the Group entered into a sale and purchase agreement with Shenzhen Dahua Construction Engineering Co., Ltd. ("Shenzhen Dahua"), pursuant to which the Group conditionally agreed to purchase, and Shenzhen Dahua conditionally agreed to sell, 50% of the equity interests of 深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Engergysaving Technology Co., Ltd.)* and its subsidiaries (collectively as "Hongsheng"), at a consideration of RMB380,000,000 (equivalent to approximately HK$426,600,000). The major assets of Hongsheng are property, plant and equipment and investment properties, and accordingly, the transaction have been accounted for as the acquisition of assets.

* For identification purpose only

44 ACQUISITION OF SUBSIDIARIES *(continued)*

	HK$'000
Consideration	426,600
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	101,734
Investment properties	820,924
Intangible assets	3,801
Prepayments, deposits and other receivables	85,461
Financial assets at fair value through profit or loss	1,763
Cash and cash equivalents	18,785
Trade and bill payables	(9,792)
Accruals and other payables	(21,351)
Bank borrowing	(148,125)
Total identifiable net assets	853,200
Non-controlling interest	(426,600)
	426,600
Net cash outflows arising from acquisition of subsidiaries	
Cash paid	(426,600)
Cash and cash equivalents acquired	18,785
	(407,815)

Acquisition-related costs of Hongsheng of HK$539,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2016.

On 8 December 2016, the Company acquired an additional 25.5% of the issued shares of Shenzhen B&K, a subsidiary of Hongsheng, at a purchase consideration of RMB226,178,800 (equivalent to approximately HK$265,339,000). As at 31 December 2016, RMB179,133,000 (equivalent to approximately HK$200,256,000) of the consideration remained unpaid and such amount was fully settled during the year ended 31 December 2017. The effect of changes in the ownership of interest of Shenzhen B&K is summarised as follows:

	2016 HK$'000
Carrying amount of additional interests acquired from non-controlling shareholders	309,352
Consideration paid to non-controlling interests	(265,339)
Difference between consideration paid and carrying amount of additional interests acquired recognised within equity	44,013

45 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**–**	–
Current assets			
Other receivables		**1,403**	349
Amounts due from subsidiaries		**3,585,588**	2,637,182
Cash and cash equivalents		**1,319,108**	542,851
		4,906,099	3,180,382
Total assets		**4,906,099**	3,180,382
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital		**2,467,933**	2,214,860
Share premium		**3,694,166**	2,396,031
Other reserves and accumulated deficit	Note (a)	**(1,579,407)**	(1,596,449)
		4,582,692	3,014,442
LIABILITIES			
Non-current liability			
Borrowings		**31,723**	–
Current liabilities			
Accrual and other payables		**7,440**	6,740
Borrowings		**284,244**	159,200
		291,684	165,940
Total liabilities		**323,407**	165,940
Total equity and liabilities		**4,906,099**	3,180,382

The financial statements were approved by the Board of Directors on 9 March 2018 and were signed on its behalf.

Yao Jianhui
Chairman

Li Minbin
Director

45 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY *(continued)*

Reserves movement of the Company

	Capital reserve (Note (a)) HK$'000	Share option reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
At 1 January 2016	34,750	370	(359,976)	(324,856)
Loss for the year	–	–	(1,217,722)	(1,217,722)
Dividends	–	–	(53,871)	(53,871)
At 31 December 2016	34,750	370	(1,631,569)	(1,596,449)
At 1 January 2017	**34,750**	**370**	**(1,631,569)**	**(1,596,449)**
Profit for the year	**–**	**–**	**88,288**	**88,288**
Exercise of share options	**–**	**(370)**	**–**	**(370)**
Dividends	**–**	**–**	**(70,876)**	**(70,876)**
At 31 December 2017	**34,750**	**–**	**(1,614,157)**	**(1,579,407)**

Note (a): Capital reserve of the Company arising from the Group reorganisation in 2009 represents the difference between the nominal value of shares issued by the Company pursuant to the reorganisation and the aggregated net assets values of subsidiaries acquired.

46 BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2017 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note c) HK$'000	Housing allowance HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensations HK$'000	Emoluments paid or receivables in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors								
Yao Jianhui	516	1,505	93	–	18	–	–	2,132
Li Minbin	462	944	264	–	100	–	–	1,770
Zhang Chi (Note a)	146	–	–	–	5	–	–	151
Shao Zuosheng (Note b)	205	1,425	–	–	11	–	–	1,641
Non-executive director								
Huang Wei	306	–	–	–	–	–	–	306
Independent non-executive directors								
Wong Chun Bong	372	–	–	–	–	–	–	372
Lee Kwan Hung	300	–	–	–	–	–	–	300
Lee Kwok On, Matthew	300	–	–	–	–	–	–	300
	2,607	3,874	357	–	134	–	–	6,972

Note a: Appointed on 13 July 2017
Note b: Appointed on 8 December 2016 and resigned on 13 July 2017
Note c: Discretionary bonuses are determined on the performance of the employees

46 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2016 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note c) HK$'000	Housing allowance HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensations HK$'000	Emoluments paid or receivables in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors								
Yao Jianhui	432	1,116	93	–	18	–	–	1,659
Li Minbin	384	425	12	–	57	–	–	878
Shao Zuosheng (Note a)	25	218	–	–	–	–	–	243
Feng Huiming (Note b)	286	1,200	–	–	78	–	–	1,564
Non-executive director								
Huang Wei	252	–	–	–	–	–	–	252
Independent non-executive directors								
Wong Chun Bong	324	–	–	–	–	–	–	324
Lee Kwan Hung	240	–	–	–	–	–	–	240
Lee Kwok On, Matthew	240	–	–	–	–	–	–	240
	2,183	2,959	105	–	153	–	–	5,400

Note a: Appointed on 8 December 2016 and resigned on 13 July 2017
Note b: Resigned on 8 December 2016
Note c: Discretionary bonuses are determined on the performance of the employees

46 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

No directors waived or agreed to waive any emoluments during the year. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2016: Same).

The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company.

During the year ended 31 December 2017, the Group does not pay consideration to any third parties for making available directors' services (2016: Nil).

As at 31 December 2017, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2016: Nil).

Save as disclosed in Note 41, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

中國金洋
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