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


# 2018
# 中期報告
# INTERIM REPORT

http://www.hk1282.com

# 公司簡介

中國金洋集團有限公司(「本公司」)於二零零九年成立，並於二零一零年十二月十五日在香港聯合交易所有限公司主板上市(股份代號：1282)。本公司及其附屬公司(統稱「本集團」或「中國金洋」)於過去數年成功推動業務向高增值及多元化轉型，以自動化、金融服務、製造、物業投資及發展和證券投資為發展重點。

在金融服務方面，本集團透過其附屬公司於香港提供證券、期貨、貴金屬交易、資產管理、財富管理、企業融資及信貸融資服務，並在中國內地提供資產管理、投資管理及融資租賃服務。同時，為把握新興產業商機，本集團亦正積極發展新能源產業、節能及智能製造業務。

本集團之股票被納入MSCI明晟中國小型股指數，同時亦為多個恒生指數之成份股，包括：恒生互聯網科技業指數、恒生環球綜合指數、恒生綜合指數系列 — 恒生綜合指數、恒生綜合行業指數 — 資訊科技、恒生大中型股指數、恒生中小型股指數及恒生中型股指數，並為滬港通及深港通可投資股票之一。

中國金洋秉承「持續發展，回饋社會」的理念，致力為客戶提供全方位的優質產品和服務，既為本集團股東爭取最大回報，也履行企業社會責任，關顧有需要的社群。展望未來，隨著業務結構之優化及盈利能力的提升，本集團將把握時代脈搏及新興產業的機遇，同時積極尋找本地及海外合作夥伴，以促進本集團未來之全面發展。

# 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. To grasp business opportunities in emerging industries, the Group is also actively developing new energy industries, energy saving and intelligent manufacturing business.

The Group is a constituent of the MSCI China Small Cap Index and 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. The Group also 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

### Non-Executive Directors

Mr. Lau Wan Po — *Vice Chairman*
*(appointed on 3 July 2018)*
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

## STRATEGIC COMMITTEE

Mr. Yao Jianhui — *Chairman*
Mr. Li Minbin
Mr. Zhang Chi
Mr. Lau Wan Po
*(appointed on 3 July 2018)*
Professor Lee Kwok On, Matthew

## COMPANY SECRETARY

Mr. Chan Sai Yan

## AUTHORISED REPRESENTATIVES

Mr. Yao Jianhui
Mr. Chan Sai Yan

## PRINCIPAL BANKERS

China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
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 six months ended 30 June **2018** | 2017 |
|---|---|---|
| **OPERATING RESULTS** | | |
| Revenue (HK$'million) | **914.0** | 337.6 |
| Gross profit (HK$'million) | **322.4** | 80.0 |
| Operating profit (HK$'million) | **349.8** | 135.7 |
| EBITDA (HK$'million) (Note 1) | **359.4** | 141.4 |
| EBIT (HK$'million) (Note 2) | **348.9** | 132.3 |
| Net Profit | **263.5** | 105.2 |
| Profit attributable to owners of the Company (HK$'million) | **243.7** | 89.9 |
| Gross profit margin | **35.3%** | 23.7% |
| Operating profit margin | **38.3%** | 40.2% |
| Net profit margin | **28.8%** | 31.2% |
| Earnings per share (HK cent) | | |
| — Basic | **0.94** | 0.41 |
| — Diluted | **0.94** | 0.41 |

| | **As at 30 June 2018** | As at 31 December 2017 |
|---|---|---|
| **FINANCIAL POSITION** | | |
| Total assets (HK$'million) | **12,304.3** | 10,961.0 |
| Net assets (HK$'million) | **7,215.1** | 7,769.4 |
| Cash and cash equivalents (HK$'million) | **1,357.4** | 2,231.4 |
| Borrowings (HK$'million) | **2,022.8** | 625.9 |
| Current ratio | **1.5** | 2.4 |
| Gearing ratio (Note 3) | **28.0%** | 8.1% |

Notes:

(1) EBITDA is calculated as profit before income tax subtracted by finance cost — 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 as profit before income tax subtracted by finance cost — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries).

(3) Gearing ratio is calculated as borrowings divided by net asset value.

# Report on Review of Interim Financial Information

pwc 羅兵咸永道

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 53, which comprises the interim condensed consolidated statement of financial position of China Goldjoy Group Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 17 August 2018

# Condensed Consolidated Statement of Financial Position

As at 30 June 2018

| | Notes | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **431,882** | 433,258 |
| Land use right | | **4,048** | 4,105 |
| Investment properties | 7 | **2,925,643** | 2,447,232 |
| Intangible assets | 7 | **191,676** | 194,670 |
| Investment in an associate | | **453,562** | — |
| Available-for-sale financial assets | 8(a) | **—** | 1,534,850 |
| Financial assets at fair value through other comprehensive income | 8(b) | **1,379,227** | — |
| Deferred income tax assets | | **13,501** | 9,194 |
| Trade receivables | 10 | **7,883** | 8,341 |
| Finance lease receivables | | **97,552** | 104,382 |
| | | **5,504,974** | 4,736,032 |
| **Current assets** | | | |
| Inventories | | **60,178** | 55,512 |
| Properties under development | | **866,921** | 524,212 |
| Completed properties held for sale | | **722,308** | 698,267 |
| Loans and advances | 9 | **966,947** | 892,904 |
| Trade receivables | 10 | **340,112** | 356,123 |
| Finance lease receivables | | **53,217** | 19,789 |
| Prepayments, deposits and other receivables | 11 | **363,078** | 276,383 |
| Current income tax recoverables | | **—** | 10,270 |
| Held-to-maturity investment | | **—** | 60,000 |
| Financial assets at fair value through profit or loss | 12 | **1,671,831** | 952,960 |
| Client trust bank balances | | **308,186** | 101,031 |
| Restricted cash | | **79,907** | 46,154 |
| Cash and cash equivalents | | **1,357,428** | 2,231,369 |
| | | **6,790,113** | 6,224,974 |
| Assets classified as held-for-sale | | **9,222** | — |
| | | **6,799,335** | 6,224,974 |
| **Total assets** | | **12,304,309** | 10,961,006 |

| | Notes | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to the Company's owners** | | | |
| Share capital | 13 | **2,586,981** | 2,467,933 |
| Share premium | 13 | **4,331,237** | 3,700,285 |
| Other reserves and retained earnings | | **(371,981)** | 1,077,697 |
| | | **6,546,237** | 7,245,915 |
| Non-controlling interests | | **668,835** | 523,466 |
| **Total equity** | | **7,215,072** | 7,769,381 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other payables | 16 | **98,147** | 77,364 |
| Borrowings | 14 | **207,114** | 207,962 |
| Deferred income tax liabilities | | **342,066** | 283,647 |
| | | **647,327** | 568,973 |
| **Current liabilities** | | | |
| Trade and bills payables | 15 | **1,257,472** | 737,629 |
| Accruals and other payables | 16 | **1,160,366** | 1,382,774 |
| Borrowings | 14 | **1,815,682** | 417,903 |
| Current income tax liabilities | | **208,390** | 84,346 |
| | | **4,441,910** | 2,622,652 |
| **Total liabilities** | | **5,089,237** | 3,191,625 |
| **Total equity and liabilities** | | **12,304,309** | 10,961,006 |

The notes on pages 11 to 53 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June 2018 HK$'000 (Unaudited) | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| Revenue | 6 | **914,021** | 337,561 |
| Cost of sales | | **(591,634)** | (257,603) |
| Gross profit | | **322,387** | 79,958 |
| Other (losses)/gains — net | 17 | **(4,987)** | 27,046 |
| Other income | 17 | **21,956** | 68,650 |
| Gain on bargain purchase from acquisition of a subsidiary | 27 | **44,042** | — |
| Fair value gain on investment properties | | **126,078** | 66,979 |
| Distribution costs | | **(13,514)** | (11,759) |
| Administrative expenses | | **(146,168)** | (95,188) |
| Operating profit | 18 | **349,794** | 135,686 |
| Finance costs — net | 19 | **(14,178)** | (1,218) |
| Share of profits/(losses) of associates | | **3,562** | (3,373) |
| Profit before income tax | | **339,178** | 131,095 |
| Income tax expense | 20 | **(75,708)** | (25,862) |
| Profit for the period | | **263,470** | 105,233 |
| Profit attributable to: | | | |
| — owners of the Company | | **243,673** | 89,860 |
| — non-controlling interests | | **19,797** | 15,373 |
| | | **263,470** | 105,233 |
| **Other comprehensive (loss)/income** | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Fair value gain on available-for-sale financial assets, net of tax | | **—** | 95,476 |
| Currency translation differences | | **(58,155)** | (21,853) |
| *Items that will not be reclassified to profit or loss* | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax | | **(1,542,643)** | — |
| **Other comprehensive (loss)/income for the period** | | **(1,600,798)** | 73,623 |
| **Total comprehensive (loss)/income for the period** | | **(1,337,328)** | 178,856 |
| Total comprehensive (loss)/income for the period attributable to: | | | |
| — owners of the Company | | **(1,353,897)** | 163,483 |
| — non-controlling interests | | **16,569** | 15,373 |
| | | **(1,337,328)** | 178,856 |
| Earnings per share for profit attributable to owners of the Company: | | | |
| — basic (expressed in Hong Kong cent per share) | 21 | **0.94** | 0.41 |
| — diluted (expressed in Hong Kong cent per share) | 21 | **0.94** | 0.41 |

The notes on pages 11 to 53 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

| | Attributable to the owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Merger reserve HK$'000 | Capital reserve HK$'000 | Statutory reserve HK$'000 | Other reserve HK$'000 | Available-for-sale financial assets reserve HK$'000 | Financial assets at fair value through other comprehensive income reserve HK$'000 | Exchange reserve HK$'000 | Retained earnings HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| **(Unaudited)** | | | | | | | | | | | | |
| **For the six months ended 30 June 2018** | | | | | | | | | | | | |
| At 1 January 2018 (previously stated) | **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** |
| Change in accounting policy (Note 3) | **–** | **–** | **–** | **–** | **–** | **–** | **(51,049)** | **51,049** | **–** | **(2,596)** | **(649)** | **(3,245)** |
| At 1 January 2018 (restated) | **2,467,933** | **3,700,285** | **(215,150)** | **12,411** | **103,755** | **(216,087)** | **–** | **51,049** | **112,679** | **1,226,444** | **522,817** | **7,766,136** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **243,673** | **19,797** | **263,470** |
| Other comprehensive loss: | | | | | | | | | | | | |
| Fair value loss on financial assets at fair value through other comprehensive income | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,542,643)** | **–** | **–** | **–** | **(1,542,643)** |
| Currency translation differences | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(54,927)** | **–** | **(3,228)** | **(58,155)** |
| Total other comprehensive loss | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,542,643)** | **(54,927)** | **–** | **(3,228)** | **(1,600,798)** |
| Total comprehensive (loss)/income | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,542,643)** | **(54,927)** | **243,673** | **16,569** | **(1,337,328)** |
| Proceeds from issuance of shares (Note 13) | **119,048** | **630,952** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **750,000** |
| Transactions with non-controlling interests (Note 28) | **–** | **–** | **–** | **–** | **–** | **38,751** | **–** | **–** | **–** | **–** | **129,449** | **168,200** |
| Transfer of accumulated gain of a financial asset at fair value through other comprehensive income within equity (Note 8(B)) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(66,261)** | **–** | **66,261** | **–** | **–** |
| Dividend relating to 2017 paid during the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(131,936)** | **–** | **(131,936)** |
| **At 30 June 2018** | **2,586,981** | **4,331,237** | **(215,150)** | **12,411** | **103,755** | **(177,336)** | **–** | **(1,557,855)** | **57,752** | **1,404,442** | **668,835** | **7,215,072** |

| | Attributable to the owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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$'000 | Available-for-sale financial assets reserve HK$'000 | Exchange reserve HK$'000 | Retained earnings HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| **(Unaudited)** | | | | | | | | | | | | |
| **For the six months ended 30 June 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 period | – | – | – | – | – | – | – | – | – | 89,860 | 15,373 | 105,233 |
| Other comprehensive income: | | | | | | | | | | | | |
| Fair value gain on available-for-sale financial assets | – | – | – | – | – | – | – | 95,476 | – | – | – | 95,476 |
| Currency translation differences | – | – | – | – | – | – | – | – | (21,853) | – | – | (21,853) |
| Total other comprehensive income/(loss) | – | – | – | – | – | – | – | 95,476 | (21,853) | – | – | 73,623 |
| Total comprehensive income/(loss) | – | – | – | – | – | – | – | 95,476 | (21,853) | 89,860 | 15,373 | 178,856 |
| Dividend relating to 2016 paid during the period | – | – | – | – | – | – | – | – | – | (70,876) | – | (70,876) |
| **At 30 June 2017** | 2,214,860 | 2,402,151 | (215,150) | 12,411 | 370 | 71,370 | (224,488) | 69,651 | (18,085) | 482,114 | 462,138 | 5,257,342 |

The notes on pages 11 to 53 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash used in operations | **(600,678)** | (56,606) |
| Profits tax (paid)/refunded | **(10,687)** | 1,943 |
| **Net cash used in operating activities** | **(611,365)** | (54,663) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(5,692)** | (10,289) |
| Payments for construction costs of investment properties | **(438,952)** | (49,014) |
| Additions of assets classified as held-for-sale | **(9,222)** | — |
| Purchase of available-for-sale financial assets | **—** | (330,488) |
| Purchase of financial assets at fair value through other comprehensive income | **(1,898,989)** | — |
| Purchase of held-to-maturity investment | **—** | (60,000) |
| Proceeds received from disposal of held-to-maturity investment | **60,000** | 25,000 |
| Proceeds received from disposal of property, plant and equipment | **3,463** | 12,374 |
| Proceeds received from disposal of available-for-sale financial assets | **—** | 6,764 |
| Proceeds received from disposal of financial assets at fair value through other comprehensive income | **897,892** | — |
| Proceeds received from disposal of investment in an associate | **—** | 20,000 |
| Interest received | **42,739** | 6,871 |
| Prepayment for property acquisition | **—** | (6,500) |
| Contribution to a newly incorporated associate | **(450,000)** | — |
| Payment for acquisition of subsidiaries, net of cash acquired | **(434,070)** | — |
| Dividend received from an associate | **—** | 9,338 |
| Dividend received from financial instruments | **752** | — |
| **Net cash used in investing activities** | **(2,232,079)** | (375,944) |
| **Cash flows from financing activities** | | |
| Drawdown of bank borrowings | **1,397,214** | 330,670 |
| Repayment for bank borrowings | **(62,798)** | (218,200) |
| Proceeds from issuance of corporate bonds | **56,000** | 21,000 |
| Settlements of corporate bonds | **(1,050)** | — |
| Interest paid | **(15,994)** | (7,917) |
| Proceeds from issuance of shares | **750,000** | — |
| Transaction with non-controlling interests | **10,000** | — |
| Dividend paid | **(131,936)** | (70,876) |
| **Net cash generated from financing activities** | **2,001,436** | 54,677 |
| **Net decrease in cash and cash equivalents** | **(842,008)** | (375,930) |
| Cash and cash equivalents at beginning of the period | **2,231,369** | 1,535,633 |
| Exchange loss on cash and cash equivalents | **(31,933)** | (25,547) |
| **Cash and cash equivalents at end of the period** | **1,357,428** | 1,134,156 |

The notes on pages 11 to 53 form an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2018

## 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 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"), 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 are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 December 2010.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been reviewed by audit committee of the Company (the "Audit Committee") and approved by the Board for issue on 17 August 2018.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers |

The impact of the adoption of these standards and the new accounting policies are disclosed in Notes 3.3 and 3.4 below respectively. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

### 3.2 Impact of standards issued but not yet applied by the Group

***HKFRS 16 Leases***

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the 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$15,183,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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 standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

***(i) Adoption of HKFRS 9***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3.4(i) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings and non-controlling interests as at 1 January 2018 is as follows:

| | Retained earnings<br>HK$'000<br>(Unaudited) | Non-controlling interests<br>HK$'000<br>(Unaudited) |
|---|---|---|
| Closing balances at 31 December 2017 — HKAS 39 | 1,229,040 | 523,466 |
| Increase in provision for loans and advances | (2,596) | (649) |
| Opening balances at 1 January 2018 — HKFRS 9 | 1,226,444 | 522,817 |

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

***(i) Adoption of HKFRS 9*** *(continued)*

*(a) Classification and measurement*

On 1 January 2018 (the date of initial adoption of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs. The impact of these reclassifications are as follows:

| | Available-for-sale financial assets HK$'000 (Unaudited) | Held-to-maturity financial assets HK$'000 (Unaudited) | Financial assets at fair value through other comprehensive income HK$'000 (Unaudited) | Financial assets at fair value through profit or loss HK$'000 (Unaudited) | Financial assets at amortised cost HK$'000 (Unaudited) |
|---|---|---|---|---|---|
| Closing balance at 31 December 2017 — HKAS 39 | 1,534,850 | 60,000 | — | 952,960 | — |
| Reclassify an equity instrument from financial assets at fair value through profit or loss ("FVPL") to financial assets at fair value through other comprehensive income ("FVOCI") | — | — | 378,398 | (378,398) | — |
| Reclassify equity instruments from available-for-sale financial assets ("AFS") to FVOCI | (1,534,850) | — | 1,534,850 | — | — |
| Reclassify listed debt securities investments from held-to-maturity investment to financial assets at amortised cost | — | (60,000) | — | — | 60,000 |
| Opening balance at 1 January 2018 — HKFRS 9 | — | — | 1,913,248 | 574,562 | 60,000 |

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

***(i) Adoption of HKFRS 9*** *(continued)*

*(a) Classification and measurement (continued)*

The impact of these reclassifications on the Group's equity are as follows:

| | AFS reserve HK$'000 (Unaudited) | FVOCI reserve HK$'000 (Unaudited) | Retained earnings (Note) HK$'000 (Unaudited) |
|---|---|---|---|
| Closing balance at 31 December 2017 — HKAS 39 | 51,049 | — | 1,229,040 |
| Reclassify equity instruments from AFS to FVOCI | (51,049) | 51,049 | — |
| Opening balance at 1 January 2018 — HKFRS 9 | — | 51,049 | 1,229,040 |

Note: Before provision for loans and advances.

— Reclassification of an equity instrument from FVPL to FVOCI

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of one its equity instrument previously classified as FVPL because the investments are not held for trading. As a result, assets with a fair value of HK$378,398,000 were reclassified from FVPL to FVOCI.

— Reclassification of equity instruments from AFS to FVOCI

The Group elected to present in OCI changes in the fair value of its equity investments previously classified as AFS, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$1,534,850,000 were reclassified from AFS to FVOCI and fair value gains of HK$51,049,000 were reclassified from the AFS reserve to the FVOCI reserve on 1 January 2018.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

#### *(i) Adoption of HKFRS 9* *(continued)*

*(a) Classification and measurement (continued)*

— Reclassification of held-to-maturity investment to financial assets of amortised cost

Assets that would have previously been classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at 1 January 2018 to be recognised in opening retained earnings.

There is no impact on the Group's accounting for financial liabilities.

*(b) Impairment of financial assets*

The Group has four types of financial assets that are subject to the new expected credit loss model of the New HKFRSs:

- Trade receivables
- Lease receivables
- Loans and advances
- Other financial assets at amortised costs.

The Group was required to revise its impairment methodologies under HKFRS 9 for each of these classes of assets. Except for loans and advances, the impact of the change in impairment methodology on the Group's retained earnings and equity is insignificant.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

#### ***(i) Adoption of HKFRS 9*** *(continued)*

*(b) Impairment of financial assets (continued)*

— Trade receivables and lease receivables

The Group applies HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and lease receivables.

To measure the expected credit losses, trade receivables and lease receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and lease receivables, according to their respective risk characteristics.

Trade receivables and lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables and lease receivables as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

— Loans and advances

The Group has assessed the expect credit loss model apply to the loans and advances as at 1 January 2018 and the change in impairment methodologies on the Group's opening loss allowances at 1 January 2018 is as follows:

| | HK$'000<br>(Unaudited) |
|---|---|
| At 31 December 2017 — calculated under HKAS 39 | — |
| Amounts restated through opening retained earnings | 3,245 |
| Opening loss allowance as at 1 January 2018<br>— calculated under HKFRS 9 | 3,245 |

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

#### *(i) Adoption of HKFRS 9* *(continued)*

*(b) Impairment of financial assets* *(continued)*

— Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

#### *(ii) Adoption of HKFRS 15*

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provision of HKAS 18 "Revenue" ("HKAS 18") that relate to the recognition, classification and measurement of revenue and costs.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.3 Impact on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") *(continued)*

***(ii) Adoption of HKFRS 15*** *(continued)*

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

| | As at 1 January 2018 | | |
|---|---|---|---|
| | As previously stated HK$'000 (Unaudited) | Reclassification under HKFRS 15 HK$'000 (Unaudited) | Restated HK$'000 (Unaudited) |
| Consolidated statement of financial position (extract) | | | |
| Accruals and other payables — Contract liabilities | — | 142,437 | 142,437 |
| Accruals and other payables — Advance receipts from customers | 142,437 | (142,437) | — |

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 31 December 2017 and the condensed consolidated results, earnings per share (basic and diluted) and condensed consolidated cash flows for the period ended 30 June 2017.

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs

***(i) HKFRS 9 — Financial instruments***

*Investments and other financial assets*

*(a) Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs *(continued)*

***(i) HKFRS 9 — Financial instruments*** *(continued)*

*Investments and other financial assets (continued)*

*(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into measurement category of amortised cost:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the condensed consolidated statement of comprehensive income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's measurement has elected to present fair value gains or losses of equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income and other (losses)/gains — net, when the Group's right to receive payments is established.

Changes in fair value of financial assets at FVPL are recognised in revenue in the condensed consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs *(continued)*

***(i) HKFRS 9 — Financial instruments*** *(continued)*

*Investments and other financial assets (continued)*

*(c) Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and leased receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group applies the three-stage model permitted by HKFRS 9, which requires impairment of financial assets to be recognised in stages:

Stage 1 — as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2 — if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3 — if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

The net impairment losses on financial assets, including reversals of impairment losses or impairment gains, are shown separately in the condensed consolidated statement of comprehensive income.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs *(continued)*

***(ii) HKFRS 15 — Revenue from contracts with customers***

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Specific criteria where revenue is recognised are described below.

## 3 ACCOUNTING POLICIES *(continued)*

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs *(continued)*

#### *(ii)* ***HKFRS 15 — Revenue from contracts with customers*** *(continued)*

*(a) Sales of goods*

Sales of goods are recognised when a group entity has transferred control over products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sales contracts. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*(b) Sale of properties*

The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

*(c) Licence fee income*

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

*(d) 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.

*(e) Consultancy fee income*

Consultancy fee income is recognised on a time proportion basis.

*(f) Management fee income and performance fee income*

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

## 3 ACCOUNTING POLICIES *(continued)*

### 3.4 Changes in accounting policies upon adopting of the New HKFRSs *(continued)*

***(ii) HKFRS 15 — Revenue from contracts with customers*** *(continued)*

*(g) 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.

*(h) Dividend income*

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

*(i) Rental income*

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

*(j) 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.

*(k) Installation income and maintenance income*

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

*(l) Sundry income*

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

## 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, price risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management policies since the year end.

### 5.2 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of 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. Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except bank borrowings.

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 30 June 2018** | | | | | |
| Trade and bill payables | **–** | **1,257,472** | **–** | **–** | **1,257,472** |
| Accruals and other payables | **–** | **1,133,311** | **98,147** | **–** | **1,231,458** |
| Borrowings and interest payables (Note) | **1,352,320** | **403,300** | **233,211** | **32,550** | **2,021,381** |
| | **1,352,320** | **2,794,083** | **331,358** | **32,550** | **4,510,311** |
| **At 31 December 2017** | | | | | |
| Trade and bill payables | – | 737,629 | – | – | 737,629 |
| Accruals and other payables | – | 1,367,933 | 77,364 | – | 1,445,297 |
| Bank 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 |

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

### 5.2 Liquidity risk *(continued)*

Note:

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 30 June 2018** | | | | | |
| Borrowings and interest payables | **1,709,318** | **254,265** | **51,492** | **100,270** | **2,115,345** |
| **At 31 December 2017** | | | | | |
| Bank borrowings and interest payables | 334,817 | 191,990 | 49,455 | 81,682 | 657,944 |

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as below:

— 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).

### 5.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets/liabilities that are measured at fair value at 30 June 2018 and 31 December 2017:

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **At 30 June 2018** | | | | |
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | **1,671,831** | **—** | **—** | **1,671,831** |
| Financial assets at fair value through other comprehensive income | **1,328,195** | **—** | **51,032** | **1,379,227** |
| | **3,000,026** | **—** | **51,032** | **3,051,058** |
| **Liabilities** | | | | |
| Put option liability in relation to acquisition of subsidiaries | **—** | **—** | **247,146** | **247,146** |
| Liability in relation to guaranteed return | **—** | **98,147** | **—** | **98,147** |
| | **—** | **98,147** | **247,146** | **345,293** |
| **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 |
| **Liabilities** | | | | |
| Put option liability in relation to acquisition of subsidiaries | — | — | 242,733 | 242,733 |
| Liability in relation to guaranteed return | — | 77,364 | — | 77,364 |
| | — | 77,364 | 242,733 | 320,097 |

In 2018, there were no transfers of financial assets between Level 1, Level 2 and Level 3.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

### 5.4 Valuation techniques used to derive Level 2 fair values

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 an 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.

### 5.5 Fair value measurements using significant unobservable inputs (Level 3)

| Description | Fair value 30 June 2018 (HK$'000) | Fair value 31 December 2017 (HK$'000) | Valuation technique(s) | Unobservable Inputs 30 June 2018 | Unobservable Inputs 31 December 2017 | Range (weighted average) 30 June 2018 | Range (weighted average) 31 December 2017 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|---|
| Equity security | **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 security | **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 security | **4,000** | 4,000 | 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 |

### 5.6 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") and the Audit Committee. Discussions of valuation processes and results are held between the CFO, Audit Committee and the valuation team 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, Audit Committee and the valuation team. As part of that discussion, the team presents a report that explains the reasons for the fair value movements.

### 5.7 Fair value of financial assets/(liabilities) measured at amortised cost

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

## 6 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.

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 and provision of related services business;

— Financial Services segment represents regulated business activities in respect to financial services under the SFO in Hong Kong;

— Manufacturing segment represents the manufacturing of a range of high-technology and new energy products;

— Property Investment and Development segment represents the properties investment activities and property development project in Hong Kong and the PRC;

— Securities Investment segment represents the investment activities through direct investments in listed and unlisted securities.

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

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 condensed consolidated interim financial information.

Sales between segments are carried out at arm's length. The Group's revenue by segment is as follows:

| | **Six months ended 30 June 2018** | | | Six months ended 30 June 2017 | | |
|---|---|---|---|---|---|---|
| | **Total segment revenue HK$'000 (Unaudited)** | **Inter segment revenue HK$'000 (Unaudited)** | **Revenue from external customers HK$'000 (Unaudited)** | Total segment revenue HK$'000 (Unaudited) | Inter segment revenue HK$'000 (Unaudited) | Revenue from external customers HK$'000 (Unaudited) |
| Automation | **266,941** | **–** | **266,941** | 275,064 | – | 275,064 |
| Financial Services | **97,136** | **(3,613)** | **93,523** | 66,007 | (972) | 65,035 |
| Manufacturing | **39,508** | **–** | **39,508** | 15,753 | – | 15,753 |
| Property Investment and Development | **359,114** | **(4,167)** | **354,947** | 13,445 | (4,274) | 9,171 |
| Securities Investment | **159,102** | **–** | **159,102** | (27,462) | – | (27,462) |
| Total | **921,801** | **(7,780)** | **914,021** | 342,807 | (5,246) | 337,561 |

## 6 SEGMENT INFORMATION *(continued)*

An analysis of revenue of the Group is as follows:

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Sale of goods | **295,781** | 288,043 |
| Sale of properties | **338,671** | — |
| Securities investment income/(loss) | **161,183** | (59,666) |
| Interest income from money lending | **60,160** | 58,705 |
| Installation and maintenance income | **10,668** | 2,612 |
| Rental income | **16,277** | 9,171 |
| Commission and brokerage income | **26,056** | 36,829 |
| Management fee and performance fee income | **5,225** | 1,867 |
| Revenue | **914,021** | 337,561 |

## 6 SEGMENT INFORMATION *(continued)*

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

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| **Operating profit/(loss)** | | |
| Automation | **11,270** | 12,095 |
| Financial Services | **38,646** | 22,692 |
| Manufacturing | **(10,577)** | (6,424) |
| Property Investment and Development | **194,206** | 70,349 |
| Securities Investment | **133,543** | 13,569 |
| Total | **367,088** | 112,281 |
| **Unallocated** | | |
| Other (losses)/gain — net | **(5,137)** | 27,038 |
| Other income | **9,404** | 7,313 |
| Administrative expenses | **(21,561)** | (10,946) |
| Finance costs — net | **(14,178)** | (1,218) |
| Share of profits/(losses) of associates | **3,562** | (3,373) |
| Profit before income tax | **339,178** | 131,095 |

Certain other (losses)/gains — net, other income and administrative expenses are not allocated to segments, as they are inseparable and not attributable to particular reportable segments. Finance costs — net and share of profits/(losses) of associates 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.

## 6 SEGMENT INFORMATION *(continued)*

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

| | Six months ended 30 June 2018 HK$'000 (Unaudited) | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| **Other segment items — depreciation and amortisation** | | |
| Automation | **(56)** | (83) |
| Financial Services | **(4,417)** | (3,752) |
| Manufacturing | **(1,374)** | (65) |
| Property Investment and Development | **(1,484)** | (1,422) |
| Securities Investment | **(207)** | (147) |
| Unallocated | **(2,954)** | (3,588) |
| Total | **(10,492)** | (9,057) |

The assets attributable to different reportable segments are reconciled to total assets as follows:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| **Segment assets** | | |
| Automation | **551,501** | 488,077 |
| Financial Services | **1,681,690** | 1,331,507 |
| Manufacturing | **216,052** | 247,195 |
| Property Investment and Development | **5,195,435** | 4,077,629 |
| Securities Investment | **3,474,127** | 3,004,435 |
| Segment assets for reportable segments | **11,118,805** | 9,148,843 |

## 6 SEGMENT INFORMATION *(continued)*

The assets attributable to different reportable segments are reconciled to total assets as follows *(continued)*:

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| **Unallocated** | | |
| Property, plant and equipment | **262,418** | 265,598 |
| Financial assets at fair value through other comprehensive income | **112,207** | — |
| Available-for-sale financial assets | **—** | 136,616 |
| Investment in an associate | **453,562** | — |
| Prepayments, deposits and other receivables | **160,140** | 2,100 |
| Held-to-maturity investment | **—** | 60,000 |
| Financial assets at fair value through profit or loss | **—** | 19,850 |
| Cash and cash equivalents | **197,177** | 1,327,999 |
| Total assets | **12,304,309** | 10,961,006 |

## 6 SEGMENT INFORMATION *(continued)*

The liabilities attributable to different reportable segments are reconciled to total liabilities as follows:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| **Segment liabilities** | | |
| Automation | **256,306** | 198,704 |
| Financial Services | **914,278** | 511,170 |
| Manufacturing | **56,757** | 58,049 |
| Property Investment and Development | **1,798,178** | 1,490,028 |
| Securities Investment | **632,378** | 82,318 |
| Segment liabilities for reportable segments | **3,657,897** | 2,340,269 |
| **Unallocated** | | |
| Accruals and other payables | **16,807** | 353,995 |
| Borrowings | **864,077** | 315,967 |
| Current income tax liabilities | **208,390** | 84,346 |
| Deferred income tax liabilities | **342,066** | 97,048 |
| Total liabilities | **5,089,237** | 3,191,625 |

## 7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group incurred expenditures of approximately HK$5,692,000 (six months ended 30 June 2017: HK$10,289,000) and HK$34,425,000 (six months ended 30 June 2017: HK$2,064,000) on property, plant and equipment and investment properties, respectively and no expenditures incurred on intangible assets (six months ended 30 June 2017: Nil).

During the six months ended 30 June 2018, the Group has recorded a fair value gain on investment properties of approximately HK$126,078,000 (six months ended 30 June 2017: HK$66,979,000).

Bank borrowings are secured by property, plant and equipment and investment properties with a carrying amount of HK$463,480,000 (31 December 2017: HK$457,574,000) (Note 14).

## 8(A) AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Listed shares | | |
| — Equity securities — Norway | — | 84,364 |
| — Equity securities — the USA | — | 1,221 |
| — Equity securities — Hong Kong | — | 1,242,800 |
| — Equity securities — the PRC | — | 155,433 |
| | — | 1,483,818 |
| Unlisted shares | — | 51,032 |
| | — | 1,534,850 |

Upon adoption of HKFRS 9 on 1 January 2018, the financial instrument category of available-for-sale financial assets is no longer available. The management has assessed the business models and the contractual terms of the cash flows apply to the financial instruments and reclassified these financial instruments into appropriate HKFRS 9 categories (Note 3.3(i)(a)).

## 8(B) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Listed shares | | |
| — Equity securities — Norway | **41,367** | — |
| — Equity securities — the USA | **19,808** | — |
| — Equity securities — Hong Kong | **1,109,989** | — |
| — Equity securities — the PRC | **157,031** | — |
| | **1,328,195** | — |
| Unlisted shares | **51,032** | — |
| | **1,379,227** | — |

Certain unlisted securities of aggregated carrying amount of HK$51,032,000 are measured at fair value determined by using discounted cash flow approaches which are not based on observable inputs.

The fair values of listed securities are determined on the basis of their quoted market prices at the end of reporting period.

Changes in fair value of the above equity securities are recognised in other comprehensive income and accumulated within the financial assets at fair value through other comprehensive income reserves within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

## 9 LOANS AND ADVANCES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Loans and advances (Note (a)) | **373,986** | 475,657 |
| Margin loans receivables (Note (b)) | **599,071** | 417,247 |
| Less: loss allowance | **(6,110)** | — |
| | **966,947** | 892,904 |

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 interest bearing and 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 30 June 2018, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of HK$2,128,356,000 (2017: HK$2,121,683,000).

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

## 10 TRADE RECEIVABLES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | **351,012** | 367,481 |
| Less: Provision for impairment on receivables | **(3,017)** | (3,017) |
| Trade receivables — net | **347,995** | 364,464 |
| Less: non-current portion | **(7,883)** | (8,341) |
| Current portion | **340,112** | 356,123 |

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:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| 0 to 30 days | **204,187** | 280,702 |
| 31 to 60 days | **12,572** | 32,983 |
| 61 to 90 days | **17,389** | 10,390 |
| 91 to 120 days | **19,847** | 8,699 |
| Over 120 days | **97,017** | 34,707 |
| | **351,012** | 367,481 |

As at 30 June 2018, trade receivables of HK$294,840,000 (2017: HK$300,188,000) are neither past due nor impaired. These relate to customers for whom there is no recent history of default.

## 11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Utilities and other deposits | **126,055** | 121,999 |
| Value-added tax recoverables | **15,116** | 4,144 |
| Consultancy fee income receivables | **27,400** | 27,635 |
| Prepayment for property development | **2,476** | 83,748 |
| Prepayment for inventories | **12,678** | 11,004 |
| Bond interest receivable | **—** | 3,945 |
| Receivable from partial disposal of subsidiaries | **158,200** | — |
| Government subsidy receivable | **4,145** | — |
| Others | **17,008** | 23,908 |
| | **363,078** | 276,383 |

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Listed securities: | | |
| — Equity securities — the PRC | **29,595** | 58,635 |
| — Equity securities — Hong Kong | **1,642,236** | 874,475 |
| | **1,671,831** | 933,110 |
| Other securities | **—** | 19,850 |
| | **1,671,831** | 952,960 |

The fair value of listed securities are determined on the basis of their quoted market prices at the end of reporting period.

## 13 SHARE CAPITAL AND PREMIUM

| | Number of shares (thousands) | Share capital HK$'000 | Share premium HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2017 (Audited) | 22,148,598 | 2,214,860 | 2,402,151 | 4,617,011 |
| At 30 June 2017 (Unaudited) | 22,148,598 | 2,214,860 | 2,402,151 | 4,617,011 |
| At 1 January 2018 (Audited) | 24,679,330 | 2,467,933 | 3,700,285 | 6,168,218 |
| Shares issued (Note) | 1,190,476 | 119,048 | 630,952 | 750,000 |
| At 30 June 2018 (Unaudited) | **25,869,806** | **2,586,981** | **4,331,237** | **6,918,218** |

Note: On 3 December 2017, the Group entered into the placing agreement, pursuant to which the investors agreed to subscribe for 2,857,140,000 new shares ("Share placement"). On 22 December 2017, 1,666,664,000 shares of the share placement were issued on 22 December 2017. The share placement of the remaining 1,190,476,000 shares was completed on 10 January 2018 when the remaining shares were issued at a price of HK$0.63 per share for a total cash consideration of HK$750,000,000.

## 14 BORROWINGS

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| **Non-current** | | |
| 3 years corporate bonds | **31,452** | 31,723 |
| Bank loans, secured | **175,662** | 176,239 |
| | **207,114** | 207,962 |
| **Current** | | |
| 1 year corporate bonds | **56,559** | — |
| Bank loans, secured | **1,259,943** | 329,856 |
| Trust receipts loans, secured | **99,180** | 88,047 |
| Loan from a third party, unsecured | **400,000** | — |
| | **1,815,682** | 417,903 |
| Total borrowings | **2,022,796** | 625,865 |

## 14 BORROWINGS *(continued)*

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

| | Bank borrowings | | Other borrowings | |
|---|---|---|---|---|
| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
| Within one year | **1,359,123** | 417,903 | **400,000** | — |
| Between one and two years | **175,662** | 176,239 | **56,559** | — |
| Between two and five years | **—** | — | **31,452** | 31,723 |
| | **1,534,785** | 594,142 | **488,011** | 31,723 |

Bank borrowings are secured by corporate guarantees provided by the Company and certain of its subsidiaries, property, plant and equipment and investment properties (Note 7) and financial assets at fair value through other comprehensive income.

As at 30 June 2018 and 31 December 2017, the Group has not breached any of the banking facilities. During the period ended 30 June 2018, the Company issued bonds with aggregated amount of HK$56,000,000 (2017: HK$31,723,000) to several independent third parties with 5% coupon rates per annum, payable in approximately 1 year (2017: 3 years) from the respective issue dates. The amounts of bonds repayable at their maturities are disclosed in Note 5.2.

As at 30 June 2018, other borrowing of HK$400,000,000 was unsecured and repayable within 1 year with 6% interest bearing per annum.

The fair values of borrowings approximate their carrying amounts, as the impact of discounting is not significant.

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| US dollar | **66,233** | 88,047 |
| Japanese yen | **32,947** | — |
| Hong Kong dollar | **1,747,954** | 361,579 |
| RMB | **175,662** | 176,239 |
| | **2,022,796** | 625,865 |

## 14 BORROWINGS *(continued)*

The carrying amounts of bonds approximate their values and are denominated in Hong Kong dollars.

## 15 TRADE AND BILLS PAYABLES

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Trade payables | **1,237,749** | 724,612 |
| Bills payables | **19,723** | 13,017 |
| | **1,257,472** | 737,629 |

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

| | **As at 30 June 2018 HK$'000 (Unaudited)** | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| 0 to 30 days | **1,191,033** | 699,289 |
| 31 to 60 days | **7,186** | 7,290 |
| 61 to 90 days | **4,344** | 8,946 |
| 91 to 120 days | **5,694** | 6,641 |
| Over 120 days | **49,215** | 15,463 |
| | **1,257,472** | 737,629 |

## 16 ACCRUALS AND OTHER PAYABLES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| **Current** | | |
| Salary and wages payables | **14,323** | 16,054 |
| Accrued operating expenses | **27,055** | 14,841 |
| Contract liabilities | **196,548** | — |
| Advance receipts from customers | **—** | 142,437 |
| Provision for value-added tax and other taxes in the People's Republic of China ("PRC") | **20,370** | 50,303 |
| Commission payables | **483** | 493 |
| Payables for acquisition of a subsidiary | **441,229** | 339,749 |
| Deposits received | **14,176** | 3,372 |
| Payables for construction costs | **129,909** | 534,436 |
| Put option liability in relation to acquisition of subsidiaries | **247,146** | 242,733 |
| Other accruals and other payables | **69,127** | 38,356 |
| | **1,160,366** | 1,382,774 |
| **Non-current** | | |
| Liability in relation to guaranteed return | **98,147** | 77,364 |
| | **1,258,513** | 1,460,138 |

## 17 OTHER (LOSSES)/GAINS — NET AND OTHER INCOME

| | Six months ended 30 June 2018 HK$'000 (Unaudited) | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| **Other (losses)/gains — net** | | |
| Loss on conversion of a financial asset at fair value through profit or loss from preferred shares to ordinary shares | **(7,156)** | — |
| Reversal of provision | **1,968** | 1,920 |
| Gain on disposal of investment in an associate (Note) | **—** | 24,974 |
| Impairment loss on other receivables | **—** | (657) |
| Gains on disposal of available-for-sale financial assets | **—** | 895 |
| Others | **201** | (86) |
| | **(4,987)** | 27,046 |
| **Other income** | | |
| Dividend income | **752** | 59,416 |
| Patents' licence income | **1,742** | 3,394 |
| Consultancy income | **9,197** | — |
| Government subsidy | **4,145** | — |
| Others | **6,120** | 5,840 |
| | **21,956** | 68,650 |

Note:

On 29 June 2017, the Group disposed of 22.62% of interest in 湛江集付通金融服務有限公司 (for identification only, Zhanjiang Jifuton Financial Services Joint Stock Company Limited, "Zhanjiang JFT") at a consideration of HK$89,170,000. The carrying amount of the interest in Zhanjiang JFT on the date of disposal was HK$64,196,000. The Group recognised an increase in equity attributable to owners of the Group of HK$24,974,000.

## 18 OPERATING PROFIT

The following items have been (credited)/charged to the operating profit during the period:

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Amortisation of intangible assets | **3,368** | 3,427 |
| Amortisation of land use right | **57** | 57 |
| Depreciation of property, plant and equipment | **7,067** | 5,573 |
| Gains on disposal of property, plant and equipment | **(2,619)** | (2,473) |
| Transaction costs in relation to acquisition of a subsidiary | **1,436** | — |
| Provision for impairment on trade receivables | **—** | 516 |
| Provision for loss allowance on loans and advances | **2,865** | — |

For the six months ended 30 June 2018, no work in progress and finished goods are considered as obsolete (for the six months ended 30 June 2017: Nil).

## 19 FINANCE COSTS — NET

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Finance income | | |
| — Interest income on bank deposits | **2,961** | 6,871 |
| — Interest income on held-to-maturity investment | **1,617** | — |
| — Interest income from finance leases | **9,794** | — |
| | **14,372** | 6,871 |
| Finance costs | | |
| — Bank loans | **(21,617)** | (7,187) |
| — Trust receipt loans | **(1,181)** | (730) |
| — Corporate bonds | **(1,339)** | (172) |
| — Adjustment on put option liability in relation to acquisition of subsidiaries | **(4,413)** | — |
| | **(28,550)** | (8,089) |
| Finance costs — net | **(14,178)** | (1,218) |

## 20 INCOME TAX EXPENSE

| | **Six months ended 30 June 2018 HK$'000 (Unaudited)** | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **61,666** | 9,249 |
| — Overseas and PRC income tax | **41,314** | 860 |
| — Land appreciation tax | **8,731** | — |
| | **111,711** | 10,109 |
| Deferred income tax | **(36,003)** | 15,753 |
| | **75,708** | 25,862 |

### Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (for the six months ended 30 June 2017: 25%).

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.

## 21 EARNINGS PER SHARE

### (a) Basic

The basic earnings per share for the period is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

| | **Six months ended 30 June 2018 (Unaudited)** | Six months ended 30 June 2017 (Unaudited) |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **243,673** | 89,860 |
| Weighted average number of ordinary shares for basic earnings per share (thousands) | **25,810,611** | 22,148,598 |
| Basic earnings per share (expressed in Hong Kong cent per share) | **0.94** | 0.41 |

## 21 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 had 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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | **Six months ended 30 June 2018 (Unaudited)** | Six months ended 30 June 2017 (Unaudited) |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company (HK$'000) | **243,673** | 89,860 |
| **Weighted average number of ordinary shares in issue (thousands)** | **25,810,611** | 22,148,598 |
| Adjustments for: | | |
| — Share options (thousands) | **—** | 767 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **25,810,611** | 22,149,365 |
| Diluted earnings per share (expressed in Hong Kong cent per share) | **0.94** | 0.41 |

## 22 DIVIDEND

| | Six months ended 30 June 2018 HK$'000 (Unaudited) | Six months ended 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| 2017 final dividend paid<br>— HK$0.51 (2016: HK$0.32) cent per share | **131,936** | 70,876 |

No interim dividend was declared by the board of directors for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

## 23 OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases of the Group were as follows:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Not later than one year | **9,002** | 9,359 |
| Later than one year and not later than five years | **6,181** | 9,774 |
| | **15,183** | 19,133 |

### The Group as lessor

The Group has acquired various offices, workshops and dormitories. The future minimum lease payments receivable under non-cancellable operating leases of the Group were as follows:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Not later than one year | **40,067** | 34,266 |
| Later than one year and not later than five years | **81,837** | 59,624 |
| More than five years | **153** | 311 |
| | **122,057** | 94,201 |

## 24 CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the period but not yet incurred of the Group were as follows:

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Property, plant and equipment | — | 577 |
| Investment properties | **131,136** | 155,966 |
| Investment in an associate | **270,000** | — |
| Property development expenditures | **739,869** | 556,402 |

## 25 FINANCIAL GUARANTEE

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note) | **1,281,191** | 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.

## 26 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) Key management compensation

Key management includes only the board of directors, and their compensation disclosed as follows:

| | **Six months 30 June 2018 HK$'000 (Unaudited)** | Six months 30 June 2017 HK$'000 (Unaudited) |
|---|---|---|
| Directors' fees | **1,476** | 1,128 |
| Basic salaries, housing allowances, other allowances and benefits in kind | **1,686** | 2,183 |
| Contributions to pension plans | **26** | 63 |
| | **3,188** | 3,374 |

## 27 BUSINESS COMBINATION

### Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng")

On 31 May 2018, the Group completed the acquisition of 100% equity interest in Taifeng from Lai Hua Properties and Investment Limited ("Vendor") pursuant to the sale and purchase agreement dated 23 April 2018, at a consideration of RMB660,000,000 (equivalent to approximately HK$807,312,000).

Taifeng held a property development project (the "Project") located in Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC.

A gain on bargain purchase (negative goodwill) of approximately HK$44,042,000 was recorded in condensed consolidated statement of comprehensive income for the six months ended 30 June 2018, as a result of 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.

## 27 BUSINESS COMBINATION *(continued)*

### Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(continued)*

The following table summarises the consideration paid for the above business combination, the provisional fair value of assets acquired, liabilities assumed at the acquisition date.

| | HK$'000 (Unaudited) |
|---|---|
| Consideration in cash | 577,350 |
| Assumption of the Vendor's payable | 229,962 |
| Total consideration | 807,312 |
| Recognised amounts of identifiable assets acquired and liabilities assumed: | |
| **Assets:** | |
| Cash and cash equivalents | 41,800 |
| Restricted cash | 21,991 |
| Deposits, prepayments and other receivables | 286,584 |
| Properties under development | 121,747 |
| Completed properties held for sale | 483,362 |
| Investment properties | 339,869 |
| Property, plant and equipment | 843 |
| | 1,296,196 |
| **Liabilities:** | |
| Accruals and other payables | (149,195) |
| Trade payables | (159,451) |
| Tax payables | (40,199) |
| Deferred income tax liabilities | (95,997) |
| | (444,842) |
| Total identifiable net assets | 851,354 |
| Gain on bargain purchase from acquisition | 44,042 |
| **Net cash outflows arising from acquisition of a subsidiary** | |
| Cash consideration | 577,350 |
| Cash and cash equivalents | (41,800) |
| Net cash outflow | 535,550 |

## 27 BUSINESS COMBINATION *(continued)*

### Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(continued)*

Acquisition-related costs of Taifeng of HK$1,436,000 have been changed to administrative expenses in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018.

The revenue in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 contributed by Taifeng was approximately HK$97,546,000.

Had Taifeng been consolidated from 1 January 2018, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 would show pro-forma revenue of HK$914,195,000 and profits for the period of HK$261,262,000.

## 28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 29 June 2018, the Group disposed of 28% of the issued shares of Golden Affluent Limited, an indirectly wholly-owned subsidiary of the Group which held 80% equity interests of certain subsidiaries conducting financial services business (collectively, "Golden Affluent Group"), for a consideration of HK$168,200,000. The disposal is accounted as an equity transaction with non-controlling interest because the changes in the Group's ownership interest in Golden Affluent Group do not result in a change in control over the Golden Affluent Group. Any gain or loss is recognised in equity. Immediately prior to the disposal, the carrying amount of the existing non-controlling interest in Golden Affluent Group was HK$19,088,000. The Group recognised an increase in non-controlling interests of HK$129,449,000 and an increase in equity attributable to owners of the Company of HK$38,751,000. The effect on the equity attributable to the owners of the Group during the period is summarised as follows:

| | Six months ended 30 June 2018 HK$'000 (Unaudited) |
|---|---|
| Consideration received from non-controlling interests | (168,200) |
| Carrying amount of equity interests disposed of | 129,449 |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity | 38,751 |

# Management Discussion and Analysis

## OVERVIEW

For the six months ended 30 June 2018, the Group has made encouraging progress, with revenue rising by 170.7% to approximately HK$914.0 million. Profit attributable to owners of the Company increased significantly by 171.1% to approximately HK$243.7 million. The favourable financial performance highlights the Group's strategy of business diversification to resisting the impact of economic fluctuations and to grasp market opportunities to achieve steady development, despite the volatile market conditions and constantly changing economic climate.

## BUSINESS REVIEW

### Automation

The automation segment has performed stably, generating revenue of approximately HK$266.9 million (30 June 2017: approximately HK$275.1 million), representing a slight decrease of 3.0%, and accounting for 29.2% of the Group's total revenue (30 June 2017: 81.5%). Operating profit contributed by this segment amounted to approximately HK$11.3 million (30 June 2017: approximately HK$12.1 million). Since the third quarter of 2017, Gallant Tech Limited ("Gallant Tech"), a wholly-owned subsidiary of the Group, has been providing leasing services over high-end manufacturing and large-scale equipment via its leasing arm, Shenzhen Gallant Tech Finance Leasing Co., Limited. In view of the potential of the leasing business, Gallant Tech will seek to further develop in this area. As for the existing automation business, comprising the provision of internationally advanced integrated smart manufacturing, smart factories, smart inventory and manufacturing equipment and solutions for the PRC electronics manufacturing industry, the Group will continue to strengthen its operations and expand its customer base.

### Financial Services

Goldjoy Holding Limited ("Goldjoy Holding") is our financial arm providing a comprehensive financial services business platform through its subsidiaries.

The financial services operation contributes revenue of approximately HK$93.6 million during the review period (30 June 2017: approximately HK$65.0 million), representing a year-on-year increase of 44.0% and accounting for 10.3% of the Group's total revenue (30 June 2017: 19.3%). Operating profit generated from this segment amounted to approximately HK$38.6 million (30 June 2017: approximately HK$22.7 million), representing an increase of approximately 70.0% increase in account. During the first half of 2018, the clients' desire to leverage its comprehensive financial services, including securities, asset management, wealth management, corporate finance, credit financing and precious metals trading facilitated a steady increase in client account openings with the Group.

China Goldjoy Securities Limited ("CGSL"), holding major licences under the Securities and Futures Ordinance ("SFO") for conducting regulated activities under 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), has further strengthened its business in relation to IPO subscription and equity financing. By offering more incentives such as commission-free brokerage services, CGSL continued to enlarge its client base during the reporting period.

China Goldjoy Asset Management Limited ("CGAM"), has increased the assets under its management ("AUM") after the launch of two new funds during the review period, raising the total to six funds under its management. Since each of these equity funds has its own investment profile, they are able to cater for investors with different risk appetites and preferences.

China Goldjoy Wealth Management Limited ("CGWM") is licenced 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 and MPF regulated activities, etc. It provides customers with life insurance, general insurance and pension services.

China Goldjoy Credit Limited ("CGCL"), holds a money lender licence to provide loan and credit financing services in Hong Kong. It provides property and share pledged loan facilities to its clients. The income and profit of this business has remained stable.

In June 2018, Goldjoy Holding disposed of a 28% equity interest in Golden Affluent Limited, an indirect wholly-owned subsidiary of the Company, which holds a few subsidiaries engaging in financial services, for a consideration of HK$168,200,000. The disposal introduced new strategic investors which is expected to the Group and expand the shareholders base of its financial services business segment to facilitate future business development, including the expansion of existing business scope for Type 6 regulated activities under SFO and to provide services to non-professional investors, advise clients on matters/transactions within the scope of Codes on Takeovers and Mergers and Share Buy-backs as well as act as a sponsor in initial public offerings, so as to achieve better business performance.

### Manufacturing

Since migrating from low-margin and low-value-added electronics manufacturing to the high-end new energy industry and light emitting diode ("LED") manufacturing, the manufacturing segment has achieved a modest improvement in its financial performance, with revenue amounting to approximately HK$39.5 million during the review period (30 June 2017: approximately HK$15.8 million), increased by approximately 150.0% over the last reporting period and accounting for 4.3% of the Group's total revenue (30 June 2017: 4.7%). The segment achieved progress in terms of bolstering its position in the domestic market by carrying out governmental projects on infrastructure lighting and real estate lighting projects, while vigorously exploring its establishment overseas. Operating loss increased to approximately HK$10.6 million (30 June 2017: loss of approximately HK$6.4 million). Mindful of the importance of research and development and cost control management, particular efforts have and will continue to be placed on these areas so as to increase profitability.

### Property Investment and Development

During the review period, revenue derived from the property investment and development segment amounted to approximately HK$354.9 million (30 June 2017: approximately HK$9.2 million) increased by approximately 3,757.6%, and accounting for 38.8% of the Group's total revenue (30 June 2017: 2.7%). Operating profit generated from this segment amounted to approximately HK$194.2 million (30 June 2017: approximately HK$70.3 million) representing an increase of approximately 176.2%. The Group holds several premium offices and residential properties in Hong Kong, some of which are located in the Lippo Centre in Admiralty for use as the headquarters of the Group and for lease purposes. The Group expects its properties will continue to generate steady income going forward.

Through Shenzhen B&K New Energy Co., Ltd. ("Shenzhen B&K"), an indirectly non-wholly owned subsidiary of the Company, the Group develops and manages a real estate project with a three-phase development scheme in the core area of Shenzhen Guangming New District. The first phase includes the properties designated for factories, offices premises, commercial uses, dormitories and apartments for rental purpose. During the review period, Shenzhen B&K generated approximately HK$13.0 million from leasing, increased by approximately HK$3.8 million compared with the same period last year. In April 2018, the Group launched a long-term branded apartment in the name of "BAO DA HOUSE" with an occupancy rate of more than 70% during the review period, setting an example of how stock properties in industrial parks can be successfully transformed and upgraded and demonstrating a sustainable way to the development of the rental income industry. The second phase comprises office premises, hotels and ancillary service facilities, and the main structure of the construction has been completed. Meantime, the Group is undergoing the design and interior decoration work of which is expected that such properties will be put into use in the first half of 2019. The third phase, containing office premises and apartments for high-end talents, is expected to be completed in 2020.

The Group completed the acquisitions of Laihua Taisheng Limited and Laihua Taifeng Limited in December 2017 and May 2018, respectively. Through these acquisitions, the Group holds two comprehensive real estate projects in Ganzhou City in Jiangxi Province, namely "世紀城" (Century Plaza*) and "太古城" (Taigu Plaza*). The Group expects to generate favourable return from the sale and leasing of the properties under these projects as well as its anticipated value appreciation. Since both projects are situated in the same city, economies of scale in the development and management of these projects is achieved. During the review period, these acquisitions contribute revenue from sale of properties of approximately HK$338.5 million and leasing of approximately HK$1.6 million to the Group.

The Group will continue to capture the respective investment and development opportunities arising from Hong Kong and the PRC property markets, and position the development of property investment and development business as one of its major focuses.

### Securities Investment

The Group adopts a balanced investment approach, apart from trading securities on a short-term basis, the Group also invests in securities, bonds and funds on a long-term investment basis. The Group has a well-balanced investment portfolio comprising (i) securities of both listed and unlisted companies in the PRC, Hong Kong and overseas, (ii) corporate bonds issued by listed and unlisted companies in Hong Kong and overseas and (iii) private equity funds managed by fund houses. Such investment portfolio enables the Group to increase its financial flexibility.

For the six months ended 30 June 2018, the securities investment segment recorded revenue of approximately HK$159.1 million (30 June 2017: loss of approximately HK$27.5 million). Operating profit generated from this segment amounted to approximately HK$133.5 million (30 June 2017: approximately HK$13.6 million).

For the six months ended 30 June 2018, the Group held financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately HK$1,379.2 million and HK$1,671.8 million, respectively:

| | | | **As at 30 June 2018** | | **Fair value/carrying amount** | |
|---|---|---|---|---|---|---|
| **Nature of investments** | | **Location** | **Number of shares held** | **Percentage to shareholding in such stock** | **As at 30 June 2018** | As at 31 December 2017 |
| | Notes | | '000 | % | **HK$'000** | HK$'000 |
| **Financial assets at fair value through other comprehensive income** | | | | | | |
| A. Listed Securities | | | | | | |
| China Zheshang Bank Co., Ltd. | | | | | | |
| — H shares | | Hong Kong | — | — | **—** | 907,911 |
| Bank of Zhengzhou Co., Ltd. | | | | | | |
| — H shares | | Hong Kong | 72,802 | 4.80% | **280,289** | 334,889 |
| Landing International Development Ltd. | | Hong Kong | 6,914,160 | 4.71% | **829,700** | — |
| Shenzhen Kondarl Group Co., Ltd. | | PRC | 4,750 | 1.22% | **123,384** | 113,989 |
| Guanghe Landscape Culture Communication Co., Ltd. | | PRC | 4,007 | 1.98% | **33,647** | 41,444 |
| IDEX ASA | (a) | Norway | 17,216 | 3.17% | **41,367** | 84,364 |
| BIO-key International Inc. | (b) | USA | 958 | 7.61% | **19,808** | 1,221 |
| B. Unlisted Securities | | | | | | |
| Powermat Technologies Ltd. | (c) | Israel | 115 | 1.40% | **20,005** | 20,005 |
| Keyssa Inc. | (d) | USA | 2,512 | 3.72% | **27,027** | 27,027 |
| Kili Technology Corporation | (e) | Canada | 2,472 | 16.65% | **4,000** | 4,000 |
| Sub-total | | | | | **1,379,227** | 1,534,850 |

| Nature of investments | Notes | Location | As at 30 June 2018 Number of shares held '000 | Percentage to shareholding in such stock % | Fair value/carrying amount As at 30 June 2018 HK$'000 | As at 31 December 2017 HK$'000 |
|---|---|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | | | |
| A. Listed Securities | | | | | | |
| Madison Holdings Group Ltd. | | Hong Kong | 194,280 | 4.77% | **334,162** | 332,219 |
| Landing International Development Ltd. | | Hong Kong | – | – | **–** | 378,398 |
| Zhenro Properties Group Ltd. | | Hong Kong | 186,094 | 4.51% | **882,086** | – |
| EJE (Hong Kong) Holdings Ltd. | | Hong Kong | 248,916 | 8.61% | **60,984** | – |
| B. Funds | | | – | – | **350,240** | 176,957 |
| C. Others | | | – | – | **44,359** | 65,386 |
| Sub-total | | | | | **1,671,831** | 952,960 |
| Total | | | | | **3,051,058** | 2,487,810 |

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, specialising 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; and

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 period ended 30 June 2018 increased by 170.7% to approximately HK$914.0 million (30 June 2017: approximately HK$337.6 million). The revenue analysis by segment is presented as follows:

| | **30 June 2018** | | 30 June 2017 | | |
|---|---|---|---|---|---|
| | **HK$' million** | **Proportion to total revenue** | HK$' million | Proportion to total revenue | % change |
| Automation | **266.9** | **29.2%** | 275.1 | 81.5% | −3.0% |
| Financial Services | **93.6** | **10.3%** | 65.0 | 19.3% | +44.0% |
| Manufacturing | **39.5** | **4.3%** | 15.8 | 4.7% | +150.0% |
| Property Investment and Development | **354.9** | **38.8%** | 9.2 | 2.7% | +3,757.6% |
| Securities Investment | **159.1** | **17.4%** | (27.5) | (8.2%) | +678.5% |
| | **914.0** | **100.0%** | 337.6 | 100.0% | 170.7% |

During the period, each of the segments has recorded a double-digit percent increase in revenue except automation segment. The property investment and development segment has become the major source of revenue for the Group, accounting for 38.8% of total revenue. As for the automation and securities investment segments, they accounted for 29.2% and 17.4% of the Group's total revenue respectively. The manufacturing and financial services segments have picked up their pace of growth, with a total contribution of over HK$133.1 million in the Group's revenue.

### Gross Profit and Margin

Gross profit for the period improved by 303.0% to approximately HK$322.4 million (30 June 2017: approximately HK$80.0 million), while gross profit margin increased to 35.3% (30 June 2017: 23.7%). The change was mainly due to higher gross margin generated from the securities investment segment.

### Other Losses — Net

Net other losses for the period was approximately HK$5.0 million (30 June 2017 net other gains: approximately HK$27.0 million), primarily because of loss on conversion of a financial asset at fair value through profit or loss from preferred shares to ordinary shares.

### Other Income
Other income decreased by approximately 68.0% to approximately HK$22.0 million (30 June 2017: approximately HK$68.7 million), mainly because of decrease in dividend income during the period.

### Distribution Costs
Distribution costs remained stable at approximately HK$13.5 million (30 June 2017: approximately HK$11.8 million), accounting for 1.5% (30 June 2017: 3.5%) of total revenue.

### Administrative Expenses
Administrative expenses increased by approximately 53.6% to approximately HK$146.2 million (30 June 2017: approximately HK$95.2 million), owing to increase in staff salaries and directors' emolument by approximately HK$19.2 million due to the expanded company operation; increase in commission by approximately HK$10.6 million due to increase in volume of securities trading.

### Finance Costs — Net
Net finance costs was approximately HK$14.2 million (30 June 2017: approximately HK$1.2 million). The increase in net finance costs was because of increase in capital financing expenditure in relation to the increase in general level of borrowing.

### Income Tax Expense
Income tax expense increased by approximately 192.3% to approximately HK$75.7 million (30 June 2017: approximately HK$25.9 million) because of the deferred tax expenses in relation to revaluation of properties increased substantially and increase in taxable profits as a result of better financial performance recorded during the period.

### Profit Attributable to Owners of the Company
Profit attributable to owners of the Company increased significantly by 171.1% to approximately HK$243.7 million, (30 June 2017: approximately HK$89.9 million). In summary, the increase was mainly due to a gain from short-term securities investment; an increase in fair value gain of investment properties; a gain on bargain purchase of a newly acquired subsidiary and its recognition of sales of completed properties, which was offset by a decrease in dividend income; an increase in distribution costs, administrative expenses and financial costs due to expanded group operations.

## FINANCIAL RESOURCES REVIEW

### Liquidity and Financial Resources

By adopting a prudent financial management approach, the Group continued to maintain a healthy financial position with good cash flow. For the six months ended 30 June 2018, the Group's cash and cash equivalents totalled approximately HK$1,357.4 million (31 December 2017: approximately HK$2,231.4 million). Working capital represented by net current assets amounted to approximately HK$2,357.4 million (31 December 2017: approximately HK$3,602.3 million). Current ratio was approximately 1.5 (31 December 2017: approximately 2.4).

Borrowings of the Group for the six months ended 30 June 2018 included corporate bonds of approximately HK$88.0 million (31 December 2017: approximately HK$31.8 million), trust receipt loans of approximately HK$99.2 million (31 December 2017: approximately HK$88.0 million) and bank loans of approximately HK$1,435.6 million (31 December 2017: approximately HK$506.1 million) and other loan of approximately HK$400.0 million. The bank borrowings were secured by corporate guarantees provided by the Company and some of its subsidiaries and secured by building(s) with carrying amounts of approximately HK$259.1 million, investment properties with carrying amounts of approximately HK$204.4 million and listed security, with carrying amount of approximately HK$882.1 million. For the six months ended 30 June 2018, the Group was in a net debt position of approximately HK$665.4 million (31 December 2017 net cash position: approximately HK$1,605.5 million).

### Capital Commitments

For the six months ended 30 June 2018, the Group had contracted but not provided for capital commitments of approximately HK$270.0 million, HK$131.1 million and HK$530.6 million (31 December 2017: Nil, approximately HK$156.0 million and HK$556.4 million) relating to the investment in an associate; investment properties; and property development expenditures, respectively.

### Currency Exposure and Management

During the review period, the Group's receipts were mainly denominated in Hong Kong dollars, Renminbi ("RMB"), and US dollars. The Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of the Group's manufacturing and automation segments were mainly conducted in the PRC, most of the Group's labor costs and manufacturing overheads were settled with the RMB. As such, fluctuation of the RMB exchange rate will have an impact on the Group's profitability. The Group will closely monitor movements of the RMB and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the review period, 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 bank facilities. The Group is expected to have sufficient resources and utilised banking facilities to meet its capital expenditure and working capital requirement.

## EMPLOYEES AND REMUNERATION POLICIES

For the six months ended 30 June 2018, the Group had 762 full-time employees mainly in Hong Kong and the PRC (31 December 2017: 735). The Group remunerates and provides benefits to its employees with consistent reference to the market conditions. 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.

## KEY RISKS AND UNCERTAINTIES

The Group's financial conditions, 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 illustrated below, which are not known to the Group or which may not be material now but could become material in the future. Furthermore, risks can never be eliminated completely due to inherent limitations in measures taken to address them. Nevertheless, risks may be accepted for strategic reasons or if they are deemed not cost-effective to mitigate.

### 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. Among others, operating subsidiaries such as CGSL and CGAM are obliged to operate in accordance with the SFO. The Group is required to ensure consistent compliance with all applicable laws, regulations and guidelines and satisfy the relevant regulatory authorities that it remains fit and proper to be licenced. If there is any change or tightening of relevant laws, regulations and guidelines, the Group will face a higher compliance requirement for its business activities. In addition, if the Group fails to comply with the applicable rules and regulations from time to time, it may face fines or restrictions on its business activities or even suspension or revocation of some or all of its licences 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 a highly competitive environment. The Group faces fierce 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 lose its competitiveness, adversely affecting its ability to maintain its market share. Failure to maintain the Group's competitive position may lead to a material adverse affect to the results and profit margins of these business segments. Further, the current trade war between the PRC and the US may have an impact on the business environment in the PRC. The Group is prepared to pay close attention to the market environment and shall establish an alternative plan should the trade war last over a period of time.

The securities investment business of the Group is sensitive to 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.

**Financial Risk**

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

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 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 subject to credit risk from its clients. To minimise risk, new clients will undergo stricter credit evaluation, while the Group continuously monitors its existing clients to further improve its risk control measures.

### 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 desired skills, experience and levels of competence. The Group will continue to provide remuneration packages and incentive plans 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 sectors that 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

The Group's diversification drive will gain added momentum now that its business transformation has been completed. The Group is committed to focus its business development towards high-growth potential business segments such as financial services, property investment and development, and securities investment.

With the popularity and application of the Internet of Things (IoT) and the commercial availability of 5G networks and equipment in the second half of 2019, it is expected that the demand from consumers and enterprises for automated production lines will grow continuously. The Group will actively advance the business development of this segment to address potential needs. In addition, the Group will further expand its activities of the finance leasing business. Together with the continuous optimisation of this business, it is expected that more revenue will be generated and competitiveness will be enhanced.

With regard to financial services, as a result of the new listing regime, the Group continues to have a positive outlook on the segment owing to the healthy market for IPOs in Hong Kong, which is expected to remain robust in the second half year. More resources shall be allocated to CGSL to develop Type 6 (advising on corporate finance) services, including acting as a placing agent and a sponsor in IPOs. To better seize opportunities, the Group shall actively recruit professionals with appropriate skill sets and experience. Mr. Lau Wan Po, who has an extensive experience in corporate finance, has been newly appointed as a vice chairman of the Board, a non-executive Director and a member of the strategic committee of the Company on 3 July 2018.

As for the manufacturing, the Group will seek to expedite the manufacturing business in the new energy industry and the light emitting diode ("LED") by seizing opportunities arising from the stable growth of manufacturing prospect in the PRC. In particular, the Group will seek to develop a more comprehensive product and service portfolio that includes smart products and street lamp projects. At the same time, the Group will seek to expand its presence in both the domestic and overseas markets, particularly in the high-end manufacturing sectors.

The property development and investment business will be one of the key areas of focus by the Group. As such, the Group will closely monitor the PRC and Hong Kong property markets, including land sales and tenders as well as property development opportunities with the objective of capitalising on any upward movement.

Meanwhile, the Group established a company with Yunnan Energy Investment (HK) Co., Limited in February 2018 and owns 36% equity interests of the company. The company will seek to invest in projects pertaining to clean energy, investment management, new energy development and financial services, in markets along the Belt and Road route. During the review period, some businesses and investment projects were commenced.

Going forward, the Group will judiciously allocate financial and human resources towards the expansion of its key businesses so as to facilitate business growth. It will also examine opportunities that are best able to capitalise on the Group's business strengths and which result in even better business prospects in the future.

# Corporate Governance and Other Information

## INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017 Interim dividend: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

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

As of 30 June 2018, 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 *(Note 2)* |
|---|---|---|---|
| Mr. Yao Jianhui *(Note 1)* | Interest in controlled corporation | 10,771,835,600 | 41.64% |
| | Beneficial owner | 44,468,000 | 0.17% |

*Notes:*

(1) Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,771,835,600 shares in the Company. Mr. Yao also directly holds 44,468,000 shares in the Company.

(2) Based on a total of 25,869,806,100 issued shares of the Company as at 30 June 2018.

Save as disclosed above, as of 30 June 2018, 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 six months ended 30 June 2018 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 six months ended 30 June 2018.

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

As of 30 June 2018, 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 *(Note 3)* |
|---|---|---|---|
| Tinmark Development Limited | Beneficial owner | 10,771,835,600 | 41.64% |
| 前海人壽保險股份有限公司 | Beneficial owner | 4,219,560,000 | 16.31% |
| Taiping Assets Management (HK) Company Limited *(Note 1)* | Investment Manager | 4,219,560,000 | 16.31% |
| China Huarong Asset Management Co., Ltd. *(Note 2)* | Security interest in the shares in controlled corporation | 8,200,000,000 | 31.70% |

*Notes:*

(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.

(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.

(3) Based on a total of 25,869,806,100 issued shares of the Company as at 30 June 2018.

Save as disclosed above, as of 30 June 2018, 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.

## 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, i.e. 25,869,806,100 shares.

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.

Details of the share options as at 30 June 2018 which have been granted under the scheme are as follows:

| | Number of options (in thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Held at 1 January 2018 | Granted during the year | Cancelled/ lapsed during the year | Exercised during the year | Held at 30 June 2018 | Exercise price per share HK$ | Exercisable period |
| **Employees** | — | — | — | — | — | 0.420 | 17 June 2013 to 16 June 2023 |
| **Total** | — | — | — | — | — | — | |

## CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2017 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 |
|---|---|
| **Non-Executive Director** | |
| Mr. Lau Wan Po | Appointed as a vice chairman of the Board, a non-executive Director and a member of the strategic committee of the Company with effect from 3 July 2018. |
| **Independent Non-executive Director** | |
| Mr. Lee Kwan Hung | Resigned as an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 00841, a company listed on the Stock Exchange) with effect from 13 May 2018. |
| Mr. Wong Chun Bong | Appointed as an independent non-executive director of Guangzhou R&F Properties Co., Ltd (stock code: 02777, a company listed on the Stock Exchange) |

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of the directors and senior management of the Company are set out in the Company's website.

## CORPORATE GOVERNANCE

The Company has been 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 Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that there is no separation of the roles of chairman and CEO, as stipulated in the code provision A.2.1 of the CG Code. Mr. Yao Jianhui ("Mr. Yao") currently assumes the roles of both the chairman and the CEO of the Company. Mr. Yao has extensive experience in a wide range of industries, including food, construction materials, real estate, commerce, agricultural and foresty, 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 allows for 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 have been and will continue to be maintained.

## 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 six months ended 30 June 2018, they have complied with the provisions of the Model Code.

## AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee was established on 28 November 2009 with written terms of reference set out in 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 financial information of the Group for the six months ended 30 June 2018. The consolidated financial information for the six months ended 30 June 2018 have been reviewed by the Company's independent auditor, PricewaterhouseCoopers in accordance with Hong Kong standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountant.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2018 which would materially affect the Group's operating and financial performance as of the date of this report.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the period and also to give our sincere gratitude to all our shareholders and business partners for their continuous support.

By order of the Board
**China Goldjoy Group Limited**
**Yao Jianhui**
*Chairman and Chief Executive Officer*

Hong Kong, 17 August 2018

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