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
Annual Report 年報

http://www.hk1282.com

Corporate Profile

China Goldjoy Group Limited (the "Company") was established in 2009 and listed on the main board of The Stock Exchange of Hong Kong Limited on 15 December 2010 (Stock Code: 01282). The Company and its subsidiaries (collectively the "Group" or "China Goldjoy") are principally engaged in the business of financial services, automation, manufacturing, property investment and development and securities investment.

The Company, through its subsidiaries in the financial services segment, possesses licences and membership for providing comprehensive financial services including but not limited to the trading of securities and futures and asset management in Hong Kong and the PRC.

Since the adoption of property investment and development as a principal business activity in 2017 by the Company, the Group has continued to acquire quality properties and development projects both in Hong Kong and the PRC and continue to bring a stable revenue and value to the Company.

Since its listing in 2010, the Group's automation segment has been engaging in the business of distributing and providing advanced automation equipment to manufacturers in the PRC. In 2017, the Company carried out equipment leasing business to provide small and medium enterprises in the PRC with operating leasing and finance leasing services.

With the successful implementation of strategic transformation of manufacturing business in 2015, the Group started to expand the business scope by manufacturing light-emitting diode (LED) and develop new energy business.

Adhering to its philosophy of "sustainable development and giving back to the community," China Goldjoy is committed to providing clients with all-rounded quality products and services, to maximise 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 optimisation of business structure, 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.

Content

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Jianhui — *Chairman and Chief Executive Officer*
Mr. Lau Wan Po — *Vice Chairman (redesignated on 1 March 2019)*
Mr. Li Minbin
Mr. Huang Wei *(redesignated on 1 November 2018)*
Mr. Zhang Chi

Non-Executive Directors

Mr. Chen Kaiben *(appointed on 1 November 2018)*

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung

AUDIT COMMITTEE

Mr. Wong Chun Bong — *Chairman*
Professor Lee Kwok On, Matthew
Mr. Chen Kaiben *(appointed on 1 November 2018)*

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. Lau Wan Po *(appointed on 1 March 2019)*
Mr. Li Minbin
Mr. Huang Wei *(appointed on 1 November 2018)*
Mr. Zhang Chi

STRATEGIC COMMITTEE

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

COMPANY SECRETARY

Mr. Ho Ka Yiu Simon *(appointed on 12 December 2018)*
Mr. Chan Sai Yan *(resigned on 12 December 2018)*

AUTHORISED REPRESENTATIVES

Mr. Yao Jianhui
Mr. Ho Ka Yiu Simon

PRINCIPAL BANKERS

China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

BDO Limited
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/01282

BOARD LOT

4,000 shares

COMPANY WEBSITE

http://www.hk1282.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2018 HK$'million	2017 HK$'million	2016 HK$'million	2015 HK$'million	2014 HK$'million
OPERATING RESULTS					
Revenue	**1,582.6**	2,825.3	995.6	711.8	741.1
Gross profit/(loss)	**519.4**	871.3	473.4	264.9	(250.8)
EBITDA (Note 1)	**886.1**	1,099.0	840.2	236.7	(491.6)
EBIT (Note 2)	**861.2**	1,059.2	829.7	205.1	(574.0)
Profit/(loss) from operations	**850.5**	1,053.4	818.6	209.9	(564.1)
Profit attributable to owners of the Company	**670.8**	869.2	466.6	181.7	(583.2)

	As of 31 December				
	2018 HK$'million	2017 HK$'million	2016 HK$'million	2015 HK$'million	2014 HK$'million
FINANCIAL POSITION					
Total assets	**10,781.2**	10,961.0	7,005.7	4,332.0	877.3
Net assets	**6,964.8**	7,769.4	5,149.4	4,150.0	491.2
Net current assets	**1,456.4**	3,602.3	2,338.7	3,825.2	175.8
Net debt/(cash)	**779.2**	(1,605.5)	(756.1)	(3,221.3)	15.8
KEY STATISTICS					
Gross profit/(loss) margin	**33%**	31%	48%	37%	(34%)
Operating profit/(loss) margin	**54%**	37%	82%	29%	(76%)
Net profit/(loss) margin	**43%**	32%	66%	26%	(79%)
Return on equity	**10%**	12%	13%	4%	(119%)
Interest coverage (Note 3)	**11.2**	53.3	1,009.4	31.6	N/A
Earnings/(loss) per share (HK cent)					
— Basic	**2.60**	3.90	2.15	2.36	(19.92)
— Diluted	**2.60**	3.90	2.15	2.36	(19.92)
Dividend per share (HK cent)	**0.20**	0.51	0.32	0.25	–
Current ratio	**1.4**	2.4	2.7	25.3	1.5
Gross gearing ratio (Note 4)	**24.2%**	8.1%	15.1%	0.7%	52.0%

Notes:

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

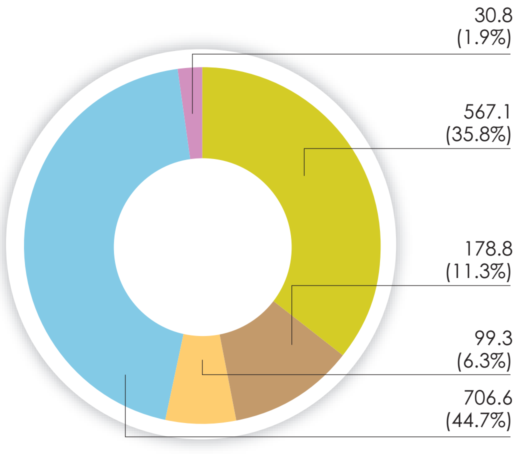
2. EBIT is calculated at profit/(loss) before income tax subtracted by finance income — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries).

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

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

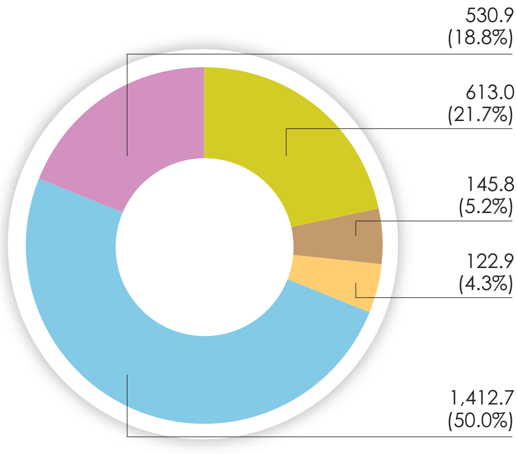
Financial Highlights

Revenue
(APPROX. HK$1,582.6 MILLION)



Year 2018

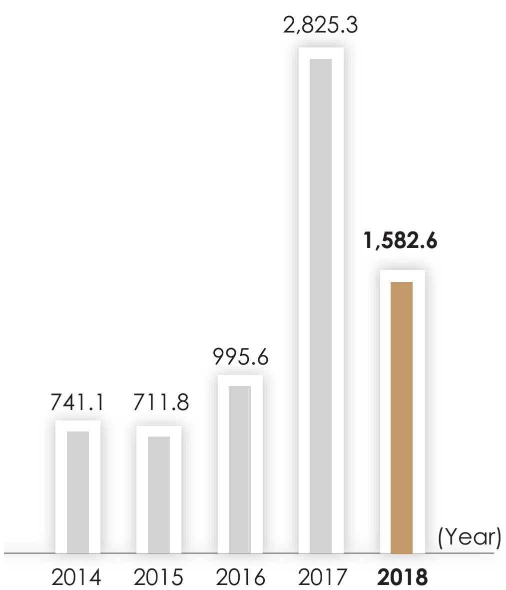
Revenue
(APPROX. HK$2,825.3 MILLION)



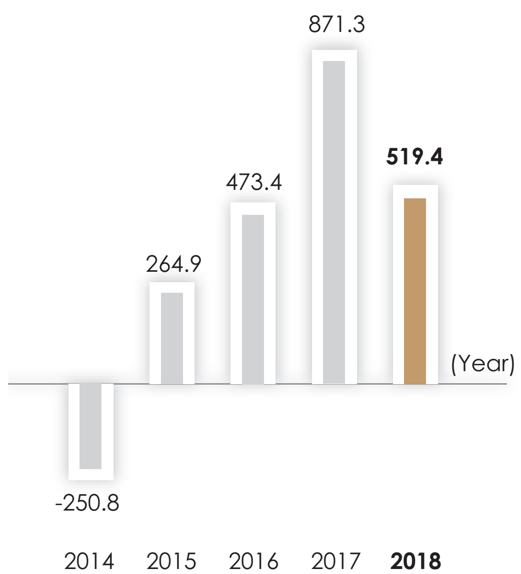
Year 2017

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

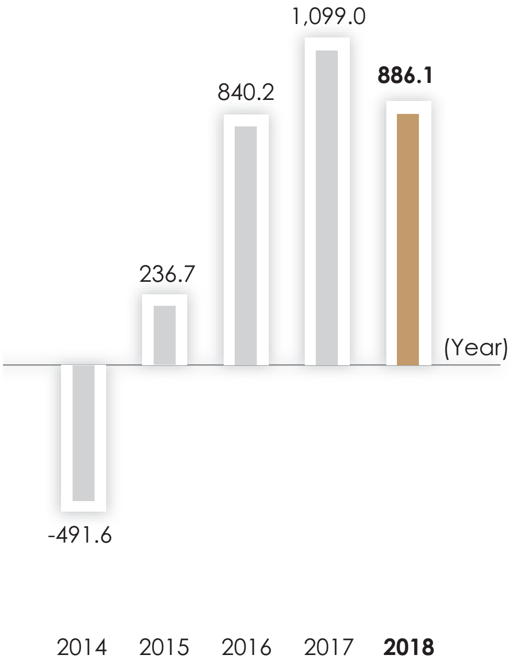
Revenue
(HK$ million)



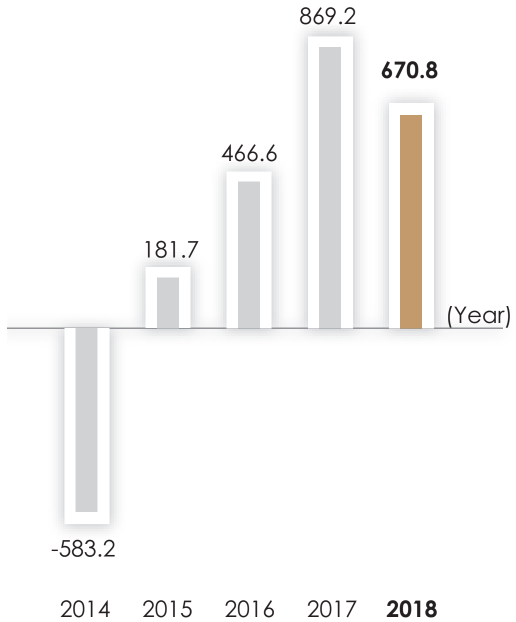
Gross Profit/(Loss)
(HK$ million)



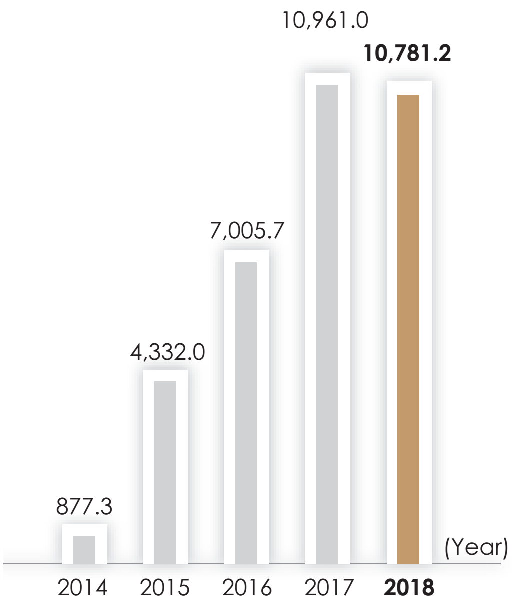
EBITDA
(HK$ million)



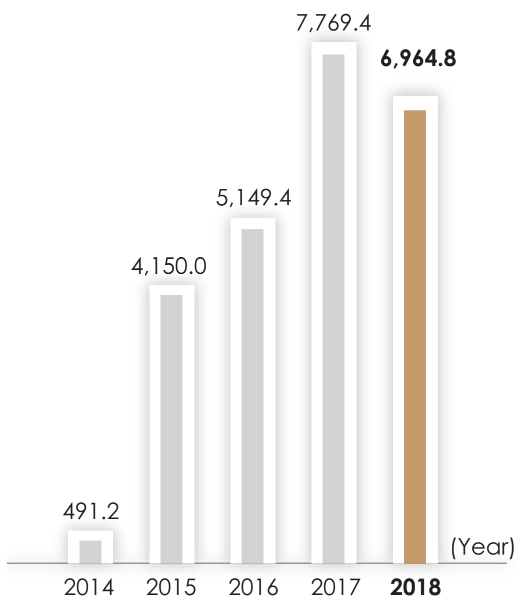
Profit Attributable to Owners of The Company
(HK$ million)



Total Assets
(HK$ million)



Net Assets
(HK$ million)



Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of China Goldjoy Group Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

The global economy in 2018 continues to fluctuate due to the adjustments in monetary policy and trade dispute among various major economies (especially between China and the U.S.). It began to take the toll on the confidence of investors and consumers. As such, the market environment entailed a decidedly more downbeat mood during latter half of 2018. Although we have been facing difficulties and challenges from the external environment, we performed satisfactorily and recorded a profit attributable to owners of the Company approximately HK$670.8 million (2017: approximately HK869.2 million).

Being the core business of the Group, financial services business has continued to deliver solid revenue and profit gains during the year. Through Goldjoy Holding Limited and its subsidiaries (collectively the "Goldjoy Holding Group" or the "FS Companies") operating as our financial arm, we have gradually penetrated the mid-to-high-end market and thereby welcome more high net worth clients to the fold. In a strategic move to further promote the business development and expand the shareholder base, Goldjoy Holding Group entered into an agreement in June 2018 to introduce a new strategic investor. We believe that such introduction will pave the way for more business development opportunities through the connection of the strategic investors. In 2019, Goldjoy Holding Group will develop

investment banking services. Meanwhile, it will expand its scope of corporate finance advisory services to cover matters pertaining to the scope of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission and taking on sponsorship roles in initial public offerings and will launch diversified products to provide clients with comprehensive and professional financial services.

Subsequent to the review year, Goldjoy Holding Group completed an acquisition of 20% interest held by a non-controlling shareholder in the FS Companies in January 2019, showing our confidence in further developing the financial business. Meanwhile, it enabled us to speed up decision-making and therefore translate into quicker and more effective response to financial market adjustments.

We continued to grasp every possible opportunity to develop property investment and development segment. The Group now owns two real estate projects, namely Century Plaza (世紀城) and Taigu Plaza (太古城), with a total gross floor area of approximatey 911,236 sq.m. located in Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC after the acquisitions taken place in December 2017 and May 2018 respectively. These projects will be developed into a community with residential, commercial, office and other facilities.

In November 2018, we increased our shareholding to approximately 29.19% in New Sports Group Limited ("NSG"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (HKEX) (Stock Code: 00299) with real estates and property investment being one of its principle businesses and we became the single largest shareholder of NSG since then. On 17 January 2019, we announced our intention to further acquire shares in NSG from its existing shareholders which will result in an increase of our shareholding in NSG to 66.35% (other than the shares that may be acquired from the public shareholders under the general offer to be triggered by this acquisition) and NSG becoming our subsidiary upon completion. We trust that the resources, experience, client base and future development prospect benefit accumulated by NSG in the aspect of property investment and development not only our property investment and development segment but also create a synergy effect in the expansion of our financial services business.

In respect of the automation segment, despite the internal and external challenges faced by the customers, we, during the review period, managed to grasp the strong demand for Surface Mount Technology ("SMT") equipment from our major customers including smartphone manufacturers, network & communication manufacturers and automotive electronics manufacturers. Looking forward, we take the view that the momentum of the global economy will grow steadily leading to a resilient market demand for SMT equipment. While we will strive to gain further market share of our services by improving our marketing programs and after sale services, we are determined to build a closer relationship and collaboration with our key business partners to seize the opportunities brought by the smart manufacturing transformation under "Made in China 2025" as promulgated by the PRC and the expected rapid development of the 5G wireless communication technology in 2019. Furthermore, we will expand the scope of automation and strategically increase our operating scale in the provision of high-margin leasing business to customers of hi-tech distribution and services division and projects.

Manufacturing has been our principal business since 2010. During the review year, we have been continuously facing challenges and difficult operating environment brought by the high raw materials and operating costs. We have taken steps to adopt cost-savings and quality improvement measures and strategic pricing policy and proactive marketing approach to increase sales orders from both existing and potential customers. With the continuous growth in new energy industry and the formulation and adoption of favorable environmental policies by major economies around the world, we trust that energy saving lighting will bring development opportunities to this segment.

Since the listing on the Stock Exchange in 2010, we have been investing in overseas companies on a long-term basis. The size of our investment portfolio has been on a rising trend since the adoption of securities investment as our principle business activity in 2015. During the review year, we have been persistently looking for potential opportunities for securities investment and equity investment to enhance financial flexibility and encourage capital growth. We have adopted a balanced investment approach. Apart from trading securities on a short-term speculative basis, we have also invested in securities, bonds and funds on a long-term investment basis. As of today, we have 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. Subject to our available internal resources, the prevailing market conditions and emerging opportunities, we expect that the investment portfolio will be further expanded in 2019.

In 2019, there will be uncertainties regarding the external operation environment and we will adopt a sound business strategy and financial strategy to respond to the market. We noted the adoption of measures by major economies to cope with the economic fluctuation and boost market confidence. Following the taking effect of the measures, the macroeconomic will be improved and corporations will have more development opportunities. With a diversified and robust development strategy and practical foundation of operation, we are optimistic about the Group's future.

I would like to take this opportunity to express my appreciation to fellow members of the Board, and the entire workforce for their dedication and hard work over the past year. I wish to also thank all of the Group's shareholders and stakeholders for their unwavering support.

Yao Jianhui
Chairman

Hong Kong, 27 March 2019

Management Discussion and Analysis

OVERVIEW

In 2018, the global economic and financial market continued to fluctuate. China's economic slowdown, monetary policy adjustments and Sino-US trade disputes brought uncertainties to the external business environment. In the face of severe external challenges, the Group adopted a prudent and pragmatic strategy, actively seized opportunities, developed in a steady manner and minimised the impact of economic and financial market fluctuations. For the year ended 31 December 2018, the Group experienced a 44.0% decline in revenue to approximately HK$1,582.6 million and the profit attributable to owners of the Company decreased by 22.8% to HK$670.8 million.

BUSINESS REVIEW

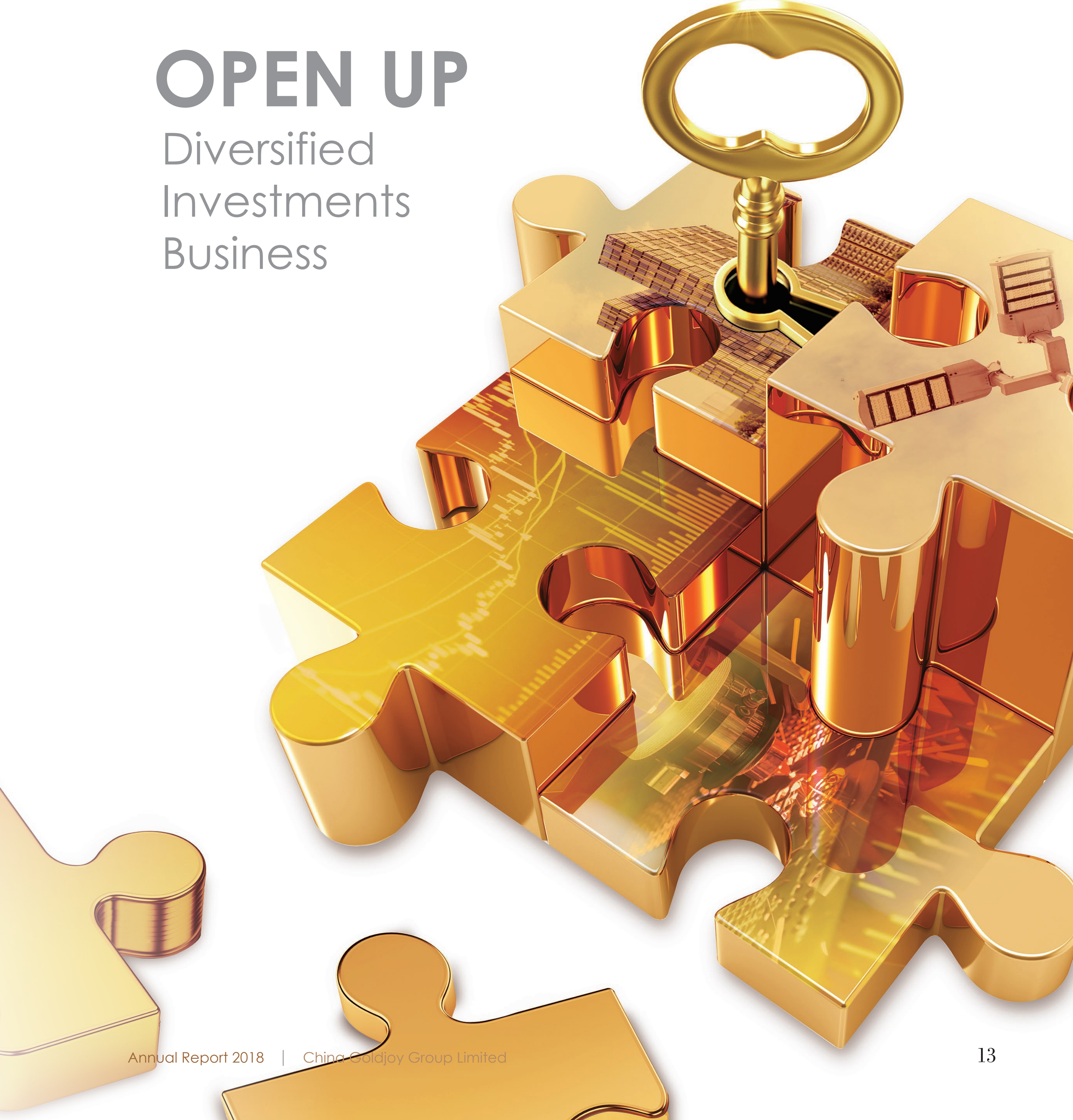
Financial Services

The financial services segment conducts business primarily through Goldjoy Holding Limited and its subsidiaries (collectively the "Goldjoy Holding Group" or the "FS Companies"). For the year ended 31 December 2018, the financial services segment have netted approximately HK$178.8 million in revenue (2017: approximately HK$145.8 million), which is up 22.6% year-on-year and equivalent to 11.3% of the Group's total revenue. The segment has recorded an operating profit of approximately HK$38.8 million (2017: approximately HK$64.4 million), representing a year-on-year decrease of 39.8%. The increase in revenue is mainly due to (i) the increase in revenue from margin financing caused by the active and diversified investment activities in the market, (ii) the reduction of expenses in money lending business and (iii) the increase in revenue recorded in asset management business.

The commission and service charge of the brokerage business is one of the main sources of income for the Group's financial services. In 2018, the total turnover of the Hong Kong stock market increased. At the same time, the Group actively engaged in marketing activities to attract individual customers and strove to expand institutional customers, therefore, the number of customers and assets continued to increase. As a result of its establishment of a sound relationship with a number of commercial banks in Hong Kong and successful adoption of a strategy to increase the amount of clients' savings, China Goldjoy Securities Limited (中國金洋證券有限公司) ("CGSL"), a non wholly-owned subsidiary of the Company holding licences granted by the Securities and Futures Commission ("SFC") to conduct 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), managed to increase its capital for securities margin financing business and hence the income generated from margin financing.

OPEN UP

Diversified Investments Business



CGSL won the "iFast Wealth Adviser of the Year" organized by iFast in 2018

CGSL won the "Securities Services Award" organized by "Capital Weekly" in 2018

In terms of corporate finance, CGSL has been providing services including underwriting, bond issuance and financial advisory. Corporate finance has become the focus of CGSL's business transformation and development. CGSL has continued to increase talent and capital investment. During the review year, it completed a number of stock and bond issuance underwriting projects. In 2019, it is expected to expand its business in the second quarter to cover the provision of services to non-professional investors, advising clients on matters/transactions falling within the ambit of The Codes on Takeovers and Mergers and Share Buy-backs and acting as a sponsor in initial public offerings.

During the review year, the Group's asset management business developed rapidly and the asset management scale and revenue increased significantly. The Group is one of the few Hong Kong brokerages conducting asset management business in Hong Kong, Shanghai and Shenzhen. The Group issues and manages funds in Hong Kong through China Goldjoy Asset Management Limited (中國金洋資產管理有限公司) ("CGAM"), a non wholly-owned subsidiary of the Company holding licences granted by the SFC to conduct Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. During the review year, CGAM managed a fund with three segregated portfolios and acted as an adviser for three funds with an asset under management (AUM) of approximately HK$1,467.0 million, a 188.8% growth year-on-year, compared to approximately HK$508.0 million in 2017. Meanwhile, the Group also actively grasped the huge development potential of the domestic asset management market and provided customers with comprehensive asset management services by issuing and managing five private equity investment funds in Shanghai and a private equity investment fund in Shenzhen Qianhai with its Qualified Foreign Limited Partners (QFLP) licence. The relevant equity investment funds of the Group mainly invest in new economic enterprises.

China Goldjoy Wealth Management Limited (中國金洋財富管理有限公司) ("CGWM") possesses licences from the Professional Insurance Brokers Association (PIBA) and the Mandatory Provident Fund Schemes Authority (MPFA). CGWM has established a comprehensive platform for diversified financial management. It has built up a cooperation relationship with more than thirty international financial institutions to provide its clients with a variety of products and services ranging from life insurance, immigration, pension funds to real property. In addition, its extensive client base has accelerated other businesses within the Group to enjoy the benefit of synergy effect.

"iFast Wealth Adviser Awards 2019" Ceremony

The Group engages in loan business through its wholly-owned subsidiary China Goldjoy Credit Limited (中國金洋信貸有限公司) ("CGCL"). The Group attaches great importance to credit quality and profitability. During the review year, the Group actively adjusted and optimised the credit portfolio based on prudent risk management policies. Despite a decrease in revenue by 22% as compared to last year, CGCL recorded an increase in profit by 64% as a consequence of the reduction in operating costs such as legal expenses and interest expenses.

The Group also engages in the provision of precious metals trading services in Hong Kong through its non wholly-owned subsidiary China Goldjoy Bullion Limited (中國金洋金業有限公司) ("CGBL") with an aim to further enrich the Group's financial products and services and provide more choices to satisfy customers' differentiated, customised asset allocation and wealth management needs.

• "iFAST Wealth Advisers Awards 2019" Ceremony

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

Property Investment and Development

During the review year, the property investment and development segment contributed revenue of approximately HK$706.6 million (2017: approximately HK$1,412.7 million), accounting for approximately 44.7% of the Group's total revenue (2017: 50.0%). Operating profit reached approximately HK$468.7 million (2017: approximately HK$445.2 million). Excluding the one-off negative goodwill of approximately HK$44.0 million and HK$208.0 million recognized in 2018 and 2017 respectively, which represented the corresponding acquisitions of 萊華泰豐有限公司 (Laihua Taifeng Limited*) ("Laihua Taifeng") and 萊華泰盛有限公司 (Laihua Taisheng Limited*) ("Laihua Taisheng"), operating profit for 2018 and 2017 would have been approximately HK$424.7 million and approximately HK$237.2 million respectively.

In Hong Kong, the Group holds several premium properties, including office units at the Lippo Centre in Admiralty. Aside from serving as the headquarters of the Group, certain units are leased for investment purpose.

The Company, through 深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Ltd.*) ("Shenzhen B&K"), a non-wholly owned PRC subsidiary acquired in December 2016, holds a property project in the name of "邦凱城" (Bangkai City*). The project is developed into 3 phases. The first phase has a gross floor area of about 100,000 square metres and contains office premises, factories, apartments, dormitories and shops. As at 31 December 2018, the occupancy rate is 92.0%. The second phase with a gross floor area of about 87,000 square metres contains a 23-storey office building and ancillary facilities and has entered the investment stage during the year. The third phase has a planned floor area of about 240,000 square metres. The construction of two office buildings and two commercial apartments were commenced in July 2018 and completion is expected to take place in 2021. For the year ended 31 December 2018, Shenzhen B&K recorded a revenue of approximately HK$37.4 million (2017: approximately HK$28.8 million).

The Group acquired two property projects in Ganzhou City, Jiangxi Province, namely "世紀城" (Century Plaza*) and "太古城" (Taigu Plaza*) in 2017 and 2018. These projects comprise residential flats, apartments, shops, car parks, offices premises and a hotel. Given that these projects are closely located, the management could take advantage of the economics of scale to manage them and hence a satisfactory sale and leasing returns as well as appreciation value was achieved. During the review year, these projects contributed combined revenue from the sale of properties of approximately HK$666.1 million (2017: approximately HK$1,390.0 million) and combined revenue from leasing of approximately HK$4.4 million (2017: nil). The Century Plaza shopping mall was successfully opened during the review year with a high occupancy rate and popularity and it has become a representative commercial landmark in Ganzhou City.

During the review year, the Group continued to develop its property investment and development business and explore viable investment projects in major cities with potential in the PRC. In November 2018, the Company, through its wholly-owned subsidiary, completed an acquisition of shares in New Sports Group Limited (新體育集團有限公司) ("NSG", stock code: 00299, together with its subsidiary as the "NSG Group") and as a result of such acquisition, the Group held approximately 29.19% of the total number of NSG shares in issue as at the date of this annual report. This acquisition resulted in a gain on bargain purchase from acquisition of an associate of HK$344.9 million being recognised during the year.

In January 2019, the Company announced that its wholly-owned subsidiary entered into a sale and purchase agreement with three existing shareholders of NSG, pursuant to which such subsidiary will acquire approximately 37.18% of the total number of NSG shares in issue as at the date of this annual report, subject to the approval of the independent shareholders of the Company (the "Acquisition of NSG shares")(the Acquisition of NSG shares, if completed, will trigger a mandatory general offer for all the issued shares of NSG).

Among the principal business activities of the NSG Group, NSG's strategies are to focus on sports culture and property development investment in the PRC. Taking into consideration of the release by the PRC government of "Several Opinions of the State Council on Accelerating the Development of Sports Industry to Promoting Sports Consumption" (Guo Fa 2014 No. 46) in 2014 to promote the domestic sports industry and promote policies related to the sports industry, sports consumption and national fitness, the Group believes that the average annual growth rate of the domestic sports industry will reach 15% or more in the next 10 years. NSG Group actively utilises its properties to seize the opportunities brought by the national policy and vigorously develops property development projects incorporating the concept of "sports and property development" by using its holding properties. In addition, NSG Group has rich land reserves and development projects in several regions with rapid economic development in Guangdong-Hong Kong-Macao Greater Bay Area, Guangdong Province and domestic China. The Group expects to benefit from the property development and investment property appreciation held by NSG Group.

Major Properties Held by the Group

(A) Property Held for Development and/or Sale:

Location	Status	Estimated Completion Date	Classification	Approximate Gross Floor Area (sq.m.)	Group's Interest
Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Under development	2019 Q4	Residential and commercial	187,249	100%
Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Completed	–	Residential and commercial	42,393	100%
Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Under development	2020 Q4	Residential, commercial and Office	205,864	100%

(B) Property Held for Investment:

Location	Status	Leasehold Expiry	Classification	Approximate Gross Floor Area (sq.m.)	Group's Interest
No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Under development	2055	Office, Industrial, Dormitory	426,878	75.50%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Completed	2059	Office	4,233	100%
Kennedy Park at Central, No.4 Kennedy Road, Hong Kong	Completed	2895	Residential	1,476	100%
Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Under development	2052	Shopping Mall and Hotel	52,397	100%
Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Under development	2052	Shopping Mall and Hotel	106,114	100%
New Material Base, Gonghe Town New Village, Heshan City, Guangdong Province	Completed	2055	Office, Industrial, Dormitory	81,604	100%

Automation

The Company engages automation products distribution and services business through its wholly-owned subsidiary Gallant Tech Limited (佳力科技有限公司) ("Gallant Tech"). Gallant Tech is a leading company in the distribution and service business of SMT equipment in the PRC. Impacted by the decline of smart phone supply and the US-China trade war, the sales revenue of automation segment decreased by 7.5% to HK$567.1 (2017: approximately HK$613.0 million) in 2018, accounting for 35.8% of the Group's total revenue (2017: 21.7%). Operating profit has increased by 35.7% to approximately HK$46.4 million (2017: approximately HK$34.2 million). In addition to continuously increasing the Group's sales income from automation equipment in the smart phone manufacturing industry, the Group also devoted greater effort to expanding the customers from semiconductor, automotive electronics, intelligent security equipment and wearable devices industries in recent years, and continuously optimised its business structure. Moreover, the Group has increased resources to invest in equipment finance lease business since 2017. In 2018, the revenue from finance lease business increased by 396.0% to approximately HK$21.7 million as compared with last year, which became one of the new sources of profit growth for the Company.

With the improvement of the global economic situation and the US-China trade war and the put into commercial application of the 5G network on a large scale, the upgrade of mobile communication devices will be widely promoted. With the strong technical application support to industries of artificial intelligence and autonomous vehicles, it is believed that our customers will increase the investment in the upgrading of automation equipment. The Company expects to see a boom in Surface Mount Technology (SMT) industry in 2019. Since some of its customers are major leaders in the 5G transformation, and the management team of the automation segment also possesses abundant management experience and professional technical service capability, the Company expects to embrace the opportunities offered by 5G transformation.

Manufacturing

The manufacturing business, which is principally involved in new energy industry and engages in light emitting diode (LED) manufacturing, recorded a revenue of approximately HK$99.3 million (2017: approximately HK$122.9 million) for the year ended 31 December 2018, accounting for 6.3% (2017: 4.3%) of the Group's total revenue. The decline was due primarily to intense competition. Nonetheless, operating loss has been reduced to approximately HK$39.1 million (2017: approximately HK$61.0 million) due to the implementation of effective cost control measures.

The manufacturing business has continued to bolster its position in the PRC market by the infrastructure enhancement in the PRC such as infrastructure lighting. At the same time, it has sought to establish beachheads overseas. During the review year, 80.0% of sales revenue was derived mainly from the PRC market.

The Group anticipates that due to more environmentally friendly policies will be implemented by the PRC government and the number of significant advantages of LEDs over the traditional lighting including efficiency, diversity of colours, long lifetime and shock resistance, the market will be encouraged to switch to LED lightings from the traditional substitutes. With a view to increase its competitiveness and market share in the PRC, the Group will be probing for inventive or special lighting applications to enhance the profitability.

Securities Investment

During the review year, the Group continued to execute both short-and-long-term strategies to maintain a balanced investment portfolio which enables the enhancement of its financial flexibility and facilitate capital growth. The Group invested in a diversified portfolio including listed and unlisted equity securities and investment funds. The securities investment business has generated a revenue of approximately HK$30.8 million (2017: approximately HK$530.8 million), accounted for 1.9% (2017: 18.8%) of the total revenue of the Group. Operating profit of the segment amounted to approximately HK$14.0 million (2017: approximately HK$556.2 million) and share of profits of associates amounted to approximately HK$15.1 million (2017: share of losses of associates amounted to approximately HK$3.5 million).

As at 31 December 2018, the securities investment portfolio, excluding the interests in associates, of approximately HK$1,886.4 million (2017: approximately HK$2,487.8 million) comprised of financial assets at fair value through profit or loss ("FVTPL") of approximately HK$982.5 million (2017: approximately HK$953.0 million) and financial assets at fair value through other comprehensive income ("FVOCI") of approximately HK$903.9 million (2017: nil). The securities investment as at 31 December 2017 also included available-for-sale financial assets ("AFS") of approximately HK$1,534.8 million. The Directors consider that securities investment with a market value that account for more than 5% of the Group's net assets at the reporting date as significant investment. Further details of securities investments under different categories are as follows:

		As at 31 December 2018			As at 31 December 2017	For the year ended 31 December 2018
Nature of investments	**Principal businesses**	**Percentage to shareholding in such stock %**	**Percentage to total assets of the Group %**	**Fair value/ carrying amount HK$'000**	**Fair value/ carrying amount** HK$'000	**Change in fair value** HK$'000
Financial assets at fair value through profit or loss						
A. Listed Securities						
Zhenro Properties Group Ltd. ("ZPG")	Property development and management	**2.50%**	**4.90%**	**527,841**	–	157,996
Madison Holdings Group Ltd. ("MHG")	Sales of alcoholic beverages	**4.86%**	**1.86%**	**200,108**	332,219	(132,110)
Landing International Development Ltd. ("LID")	Development and operation of the integrated resorts	**–**	**–**	**–**	378,398	–
Others		**N/A**	**1.02%**	**99,450**	65,386	11,412
B. Funds		**N/A**	**1.33%**	**155,190**	176,957	(48,669)
Total				**982,589**	952,960	

Nature of investments	Principal businesses	As at 31 December 2018 Percentage to shareholding in such stock %	As at 31 December 2018 Percentage to total assets of the Group %	As at 31 December 2018 Fair value/ carrying amount of FVOCI HK$'000	As at 31 December 2017 Fair value/ carrying amount of AFS HK$'000	For the year ended 31 December 2018 Change in fair value HK$'000
Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets						
A. Listed Securities						
Landing International Development Ltd. ("LID")	Development and operation of the integrated resorts	4.71%	3.16%	340,177	–	(1,916,338)
Shenzhen Rainbow Fine Chemical Industry Co., Ltd. ("SRFCI")	Manufacture of chemical products	5.00%	2.94%	316,890	–	(30,669)
Shenzhen Kondarl Group Co., Ltd.	Farming, feed, and agricultural products businesses	1.22%	0.91%	98,665	113,989	(10,469)
China Zheshang Bank Co., Ltd. — H shares	Provision of banking products and services	-	-	-	907,911	–
Bank of Zhengzhou Co., Ltd. — H shares	Provision of banking products and services	-	-	-	334,889	–
Others	N/A	N/A	0.40%	43,277	127,029	(36,938)
B. Unlisted Securities	N/A	N/A	0.97%	104,848	51,032	53,816
Total				903,857	1,534,850	

Financial assets at fair value through profit or loss

ZPG

The Group acquired shares in ZPG through the initial public offering during the year. As at 31 December 2018, the fair value of equity shares in ZPG amounted to HK$527.8 million. The Group received a dividend income of HK$18.6 million from ZPG for the year. Given the volatility in the stock markets, the price performance of ZPG was satisfactory, resulting in an unrealised fair value gain of HK$158.0 million recognised for the year.

MHG

As at 31 December 2018, the fair value of the Group's equity securities in MHG amounted to HK$200.1 million. The shares of MHG are listed on GEM of the Hong Kong Stock Exchange. Given the volatility in the stock markets, the share price performance of MHG was not satisfactory, resulting in an unrealised fair value loss of HK$132.1 million recognised for the year.

Financial assets at fair value through other comprehensive income

In addition to the above investments under FVTPL, the Group also invests in listed and unlisted equity securities which are held for long-term strategic purposes. As at 31 December 2018, the fair value of such investments amounted to approximately HK$903.9 million and was recorded under FVOCI upon adoption of the new accounting standard for financial instruments on 1 January 2018. During the year, unrealised fair value loss of HK$2,051.8 million was recognised in other comprehensive income from these investments.

LID

As at 31 December 2018, the major investment under this category was the LID, which has been restated from FVTPL at 1 January 2018. LID is principally engaged in the development and operation of the integrated resorts and properties in overseas. Property development is one of the Group's major businesses. Investing in LID would enable the Group to expand its property investment business in different countries. These shares are not intended to be held for trading and was designated as FVOCI. As at 31 December 2018, the fair value of these shares amounted to HK$340.2 million. Given the volatility in the stock markets, unrealised fair value loss of HK$1,916.3 million was recorded in other comprehensive income due to the volatility in the price of the shares as mentioned above.

SRFCI

The Group acquired shares in SRFCI during the year. As at 31 December 2018, the fair value of equity shares in SRFCI amounted to HK$316.9 million. Given the volatility in the stock markets, the price performance of SRFCI was not satisfactory, resulting in a fair value loss of HK$30.7 million recognised for the year.

In light of the stock market volatility last year, the Group has reviewed and adjusted its investment portfolio by the complete disposal of its shareholding in Bank of Zhengzhou Co., Ltd. (stock code: 06196) and China Zheshang Bank Co., Ltd. (stock code: 02016). In 2019, the Group will stay informed and keep up with changes in the stock market so as to minimise risk and maintain a satisfactory result.

Other investment

The Company, in February 2018, formed a joint venture with business partners including Yunnan Energy Investment (HK) Co. Limited ("Yunnan Energy") to engage in business in relation to clean energy, finance and health, investment management, new energy and financial services. Given that Yunnan Energy and its shareholders (collectively "Yunnan Energy Investment Group") have a well-established track record in clean energy, financial services and trading, and integrated business and have actively been participating in the "One Belt One Road" strategy, we believe that we, through the cooperation with Yunnan Energy, can step into the electricity and new energy sectors and facilitate our intended expansion in South Asia and Southeast Asia markets.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2018 decreased by 44.0% to approximately HK$1,582.6 million (2017: approximately HK$2,825.3 million). The revenue analysis by segment is presented as follows:

	2018		2017		
	HK$' million	Proportion to total revenue	HK$' million	Proportion to total revenue	% change
Automation	567.1	35.8%	613.0	21.7%	-7.5%
Financial Services	178.8	11.3%	145.8	5.2%	+22.6%
Manufacturing	99.3	6.3%	122.9	4.3%	-19.2%
Property Investment and Development	706.6	44.7%	1,412.7	50.0%	-50.0%
Securities Investment	30.8	1.9%	530.9	18.8%	-94.2%
	1,582.6	100.0%	2,825.3	100.0%	-44.0%

During the year ended 31 December 2018, the property investment and development segment has continued to be a major source of revenue for the Group, accounting for 44.7% of total revenue. The financial services segment performed encouragingly, helping to alleviate pressure resulting from the deceleration of global growth.

Gross Profit and Margin

Gross profit for the year decreased by 40.8% to approximately HK$519.4 million (2017: approximately HK$871.3 million), while gross profit margin increased to 32.8% (2017: 30.8%). The change was mainly due to the higher gross profit margin of financial services and lower sales in property which had a relatively low gross profit margin.

Other (Losses)/Gains — Net

Net other losses was recognised during the year of approximately HK$35.6 million (2017: net other gains approximately HK$4.6 million), primarily because of impairment loss on loan and advances of approximately HK$25.0 million, loss on disposal of subsidiaries of approximately HK$6.3 million, loss on conversion of a financial asset at FVTPL from preference shares to ordinary shares of approximately HK$7.2 million, gain on disposal of partial interest of an associate of approximately HK$1.3 million and gain on disposal of property, plant and equipment of approximately HK$1.6 million.

Other Income

Other income decreased by 50.9% to approximately HK$56.6 million (2017: approximately HK$115.3 million), as a result of decrease in dividend income of approximately HK$39.9 million to HK$20.1 million and decrease in consultancy fee income of approximately HK$32.2 million which no consultancy fee income was recognised during the year.

Distribution Costs

Distribution costs increased by 33.9% to approximately HK$38.6 million (2017: approximately HK$28.8 million), accounting for 2.4% (2017: 1.0%) of total revenue. The increase in distribution costs was mainly due to the increase in advertising, promotion and exhibition expenses of approximately HK$5.3 million and increase in sales person staff cost of approximately HK$6 million.

Administrative Expenses

Administrative expenses increased by 23.1% to approximately HK$295.9 million (2017: approximately HK$240.3 million) owing to increase in staff salaries and directors' emolument by approximately HK$33.1 million due to the expanded company operations; increase in commission by approximately HK$7.6 million; decrease in research and development expense to approximately HK$3.7 million; increase in fund management fee of approximately HK$4.0 million and provision for expected credit loss of approximately HK$6.5 million.

Finance (Costs)/Income — Net

Net finance costs was approximately HK$56.1 million (2017: net finance income of approximately HK$10.7 million). The increase in net finance cost was because of decrease in interest income of approximately HK$21.4 million; increase in bank interest expenses of approximately HK$50.1 million; increase in bond interest expenses of approximately HK$4.5 million; and adjustment of put option liability in relation to acquisition of a subsidiary of approximately HK$4.4 million.

Income Tax Expense

Income expense recorded a decrease of 17.1% to approximately HK$133.9 million (2017: approximately HK$161.5 million) due to the decrease in taxable income, netting off the increase in deferred tax expenses derived from revaluation of properties increased substantially.

Profit attributable to owners of the Group

Profit attributable to owners of the Group decreased to approximately HK$670.8 million, (2017: approximately HK$869.2 million), down approximately 22.8% year-on-year, which included two one-off negative goodwill of approximately HK$344.9 million and HK$44.0 million arising from the acquisition of NSG shares and Laihua Taifeng, respectively.

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. As at 31 December 2018, the Group's cash and cash equivalents totaled approximately HK$907.1 million (2017: approximately HK$2,231.4 million). Working capital represented by net current assets amounted to approximately HK$1,456.4 million (2017: approximately HK$3,602.3 million). Current ratio was approximately 1.4 (2017: approximately 2.4).

Borrowings of the Group as at 31 December 2018 included corporate bonds of approximately HK$177.6 million (2017: approximately HK$31.8 million), trust receipt loans of approximately HK$30.1 million (2017: approximately HK$88.0 million) and bank loans of approximately HK$999.2 million (2017: approximately HK$506.1 million), and other loans of approximately HK$479.4 million (2017: nil).

The bank borrowings were secured by corporate guarantees provided by the Company and certain of its subsidiaries and secured by building(s) with carrying amounts of approximately HK$255.9 million and investment properties with carrying amounts of approximately HK$1,264.9 million. As at 31 December 2018, the Group was in a net debt position of approximately HK$779.2 million (2017: net cash position: approximately HK$1,605.5 million).

Capital Commitments

As at 31 December 2018, the Group had contracted but not provided for capital commitments of approximately HK$240.0 million, HK$1,323.8 million and HK$277.1 million (2017: approximately HK$nil, 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 year, 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 Mainland China, most of the Group's labour 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 year, the Group did not enter into any foreign exchange forward contract.

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 banking facilities. The Group expects to have sufficient resources and banking facilities to meet its capital expenditure and working capital requirement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 752 full-time employees mainly in Hong Kong and the Mainland China (2017: 735). The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonuses are awarded to staff members based on the financial performance of the Group and performance of individual employee.

In addition, share options will be granted to eligible employees in accordance with the terms of the Company's share option scheme adopted on 24 November 2010.

EVENTS AFTER THE REPORTING PERIOD

On 10 January 2019, Goldjoy Holding as purchaser, entered into the sale and purchase agreements with Ascend Fortune Ventures Limited and Merit Faith Ventures Limited as vendors in relation to the acquisition of 20.0% of the entire issued share capital in each of Affluent Advantage Limited, Proficient Power Limited, Prominent Up Limited, Fast Prestige Limited, Novel Forward Limited, Gigantic Increase Limited, Metro Grow Limited and Stellar Result Limited at a total consideration of HK$200.0 million which is subject to adjustments. The completion of these acquisitions took place on 14 January 2019. As at the date of this annual report, the Group has an attributable interest of 77.6% in each of Affluent Advantage, Proficient Power, Prominent Up, Fast Prestige, Novel Forward, Gigantic Increase, Metro Grow and wholly owns Stellar Result.

On 17 January 2019, Hong Kong Bao Xin Asset Management Limited ("Hong Kong Bao Xin"), an indirect wholly-owned subsidiary of the Company, as purchaser and Upright Hoist Limited, Mr. Zhang Xiaodong and Tengyue Limited, collectively as vendors, entered into a sale and purchase agreement as amended and supplemented by a supplemental agreement dated 18 January 2019 entered into among the same parties, pursuant to which Hong Kong Bao Xin conditionally agreed to purchase, and the vendors conditionally agreed to sell, an aggregate of up to 1,509,180,611 shares in NSG, representing 37.18% of the entire issued share capital of NSG as at the date of this annual report. The consideration for these acquisitions will be settled by the Company allotting and issuing its new shares (being in aggregate up to 1,509,180,611 new shares, representing 5.83% of the existing issued share capital of the Company as at the date of this annual report) to the vendors on the basis of one new share of the Company for every share of NSG. These transactions shall be subject to the approval of the independent Shareholders.

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 the 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 the Group's operational risks 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 the 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 licensed. 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 licenses for operating the financial services business. Furthermore, the financial services business, like all other businesses of the Group, is not immune from market changes. Any downturn in the financial 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 the Group's ability to maintain its market share. Failure to maintain the Group's competitive position may lead to a material adverse effect on the results and profit margins of these business segments. Furthermore, 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 market conditions and will establish a contingency plan if the trade war persists 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 the currency environment, especially the recent gradual depreciation of the RMB and interest rate cycles may significantly affect the Group's financial position and results of its 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 position, results of operations and prospects.

BUSINESS OUTLOOK

In 2019, it is expected that the global economy and China's economic growth will continue to slow down, nonetheless, the monetary policy of major global economies will also be more relaxed than in 2018. As Sino-US trade disputes ease and with the implementation of a series policies to stimulate economy in China recently, China's economic fundamentals are expected to continue to improve. After significant adjustment in the PRC and Hong Kong stock markets in 2018, the overall investment value began to appear. The implementation of Guangdong-Hong Kong-Macao Greater Bay Area plan and the further integration among economies in the Mainland China, Hong Kong and Macao have brought important development opportunities to all segments of the Group. The Group remains positive to its business development, and is committed to deal with all kinds of challenges and opportunities with stable and healthy business strategics and financial polices.

The Group has actively conducted strategic transformation in recent years, of which vigorous development of finance business is an important component. After years of development, the financial industry layout has been smoothly promoted, and the current financial business has become comparably large. The Group will continue to increase resources in the financial business in the future. In line with the long-term business development plan and after consideration and approval by the Board of the Company on 27 March 2019, the Company proposed to change its name from "China Goldjoy Group Limited" to "Glory Sun Financial Group Limited" with its dual foreign name from "中國金洋集團有限公司" to "寶新金融集團有限公司". In the future, the business structure of the Group will become "financial business is the core and real estate, technology and investment businesses run neck and neck".

Financial services

In 2019, in order to cope with investors' rising demands for global financial products and increasingly active participation in the investment in global financial products, the Group will be committed to improve the efficiency and capacity of its online trading system and mobile application for securities and futures trading in order for the clients to connect to the global market and enjoy comprehensive and professional brokerage services. Further, the Group will allocate more resources to improve its online trading platform and increase its marketing scale to promote its brand image.

The Group will extend its corporate finance business to cover the provision of services to non-professional investors, advising clients on matters/transactions falling within the ambit of The Codes on Takeovers and Mergers and Share Buy-backs and acting as a sponsor in initial public offerings. With the deep understanding of integration of industry and finance and the professional strength of investment banking team, the Group will serve to satisfy the investment and financing needs from the real economy and explore outstanding companies and quality businesses while offering comprehensive capital market services and investment.

The Group will further strengthen its investment and research strength, closely monitor the market development trend and opportunities, launch new products and new services, continuously improve production line and service line, and continue to promote the asset management capacity and asset allocation capacity.

With the continuous support and trust from its clients, the Group expects its diversified financial service business will help to enlarge its market share and generate better returns to its shareholders.

Property investment and development

The PRC government has committed to stabilising the economic and social development by implementing active fiscal policy and prudent monetary policy. It is expected that in 2019, the PRC government will continue to reinforce measures such as tight credit and easing monetary policy. The Group is optimistic that the property market will continue to grow steadily on the back of market demand from investors despite the strict regulatory policies on all types of properties implemented by the PRC government.

With respect to the investment in NSG Group, various of property projects of NSG Group will be sold on the market in the coming years. NSG Group will examine the market conditions to flexibly adjust its pace of sales and rhythm to accelerate collection of sales proceeds.

For the Bangkai City in Shenzhen, due to the transfer of technology industry into new areas in north such as Guangming District in Shenzhen, following the operation of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Group believes that its leasing business will hugely benefit from better accessibility to the surrounding areas of Bangkai City and the increase in occupation rate and rental as a result.

With respect to the property projects in Ganzhou, in addition to the continuous sales of resident properties and parking lots, office properties will also be sold in 2019. Moreover, the commercial properties in Taigu Plaza will also be put into operation during the year and will bring stable rental income for the Group.

In light of the current operating environment, the Group will facilitate the capital turnover of its property development and sales and continue to identify property projects with great potential through joint venture and other means. The Group will pay attention to the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area and replenish its land bank through acquisition and joint venture, etc.

Technology

The large-scale commercial application of the 5G technology in 2019 will promote the upgrading of mobile communication products and related manufacturing equipment bring positive benefits to the Group's automation business development. With the well-established cooperation foundation with customers and suppliers in the 3G and 4G eras and the excellent system integration solution capability, Gallant Tech, is expected to usher in a rapid development opportunity in the 5G era and will continue to expand its sales products and customer base in the fields of automotive electronics, semiconductors, artificial intelligence, etc., in a bid to expand its finance leasing business, optimise its business structure, and further enhance its performance. In order to keep abreast of the high-end and intelligent trend of China's manufacturing industry, the Group will also actively seek investment opportunities in the intelligent manufacturing equipment industry.

Investment

The Mainland China and Hong Kong stock markets in 2018 presented a lot of challenges to investors. The Company takes the view that 2019 will be a challenging year due to the concerns about the Sino-US trade war, the weakness in both US and emerging markets and the sign of expected slowdown in initial public offerings in Hong Kong in 2019. Nonetheless, the Company remains positive about both markets as the Chinese economy continues to improve and the policies favour to capital market development continuously introduce. With both the economic growth in the PRC and stable Renminbi exchange rate, overseas investors are expected to increase investments in the Mainland China and Hong Kong stock markets. The Group will regularly review its investment portfolio and diversify its investments with a view to reducing portfolio volatility and increase returns. In terms of investment direction, the Group will continue to focus on innovative scientific and technological industry and support the development of innovative enterprises by combining national strategic development direction with financial services sector development strategy.

Fund raising for future business development

When the Group considers that there are funding needs for the expansion of its businesses and development of new businesses, it will explore possible fund raising methods, such as debt financing, placing of new shares or issuance of corporate bonds.

Directors and Key Personnels

EXECUTIVE DIRECTORS

Mr. Yao Jianhui (姚建輝), aged 47, is the Group's Chairman and Chief Executive Officer and was appointed as an Executive Director of the Company on 3 August 2015, and he also served as a director of several subsidiaries of the Company. He is also the Chairman of each of the Nomination Committee, Strategic Committee and Investment Committee of the Company, and a member of the Remuneration Committee. He graduated from the South China University of Technology in PRC with a postgraduate (part-time) diploma in business administration. Mr. Yao has held senior management positions with a number of enterprises and a listed company across a wide range of industries, including food, construction materials, real estate, commerce, agriculture and forestry, logistics, technology and finance. He is also an executive director of New Sports Group Limited ("NSG", Stock Code: 00299, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). From March 2002 to March 2003, Mr. Yao acted as the executive vice president of Shenzhen Baoneng Investment Group Co., Ltd* (深圳市寶能投資集團有限公司), a conglomerate principally engaged in real estate, logistics, cultural tourism and financial business. From March 2003 to July 2010, he was the executive deputy general manager, general manager and chairman of the board of directors of Shenzhen Shum Yip Logistics Group Holdings Co., Ltd., a company principally engaged in the provision of logistics services, product exhibition and trading and micro-lending. From July 2010 to October 2014, Mr. Yao acted as the general manager and chairman of the board of directors of Baocheng Investment Co., Ltd. (stock code: 600892), a company listed on Shanghai Stock Exchange and is principally engaged in the manufacturing of cables, hotel and trading business. From June 2006, he has been the chairman of the board of directors of Baoneng Holding (China) Co., Ltd., a company principally engaged in property development.

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

Mr. Lau Wan Po (劉雲浦), aged 43, was appointed as a Non-Executive Director of the Company on 3 July 2018 and further re-designated as an Executive Director on 1 March 2019. He is also a member of each of the Strategic Committee and Investment Committee of the Company. Mr. Lau has over 18 years of experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and professional financial advisory services to listed companies in Hong Kong. He had served as the vice chairman and an executive director of Huabang Financial Holdings Limited ("Huabang", Stock Code: 03638, a company listed on the main board of the Stock Exchange) from March 2017 to June 2018 and had served as a non-executive director of Huabang from June 2018 to October 2018; a non-executive director of NSG since November 2016; the chairman of Huabang Securities Limited (formerly known as Qian Hai Securities Limited) from December 2015 to February 2019; the managing director of each of Haitong International Capital Limited and Hai Tong Capital (HK) Limited from January 2010 to November 2015; and an executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010. He holds a Bachelor degree in Science from the City University of Hong Kong and a Master degree in Finance from Curtin University of Technology.

Mr. Li Minbin (李敏斌), aged 38, is the Group's Vice President and was appointed as a Non-Executive Director of the Company on 3 August 2015 and further re-designated as an Executive Director on 27 November 2015, and he served as a director and general manager of several subsidiaries of the Company. He is also a member of each of the Strategic Committee and Investment Committee of the Company. He obtained the Master degree of Business Administration from the Chinese University of Hong Kong.

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

Mr. Huang Wei (黃煒), aged 44, was appointed as an Executive Director of the Company on 3 August 2015, re-designated as a Non-Executive Director on 27 November 2015 and further re-designated as an Executive Director on 1 November 2018. He is also a member of the Audit Committee of the Company. He obtained a Master degree in economics and graduated from the Hunan University in PRC. Mr. Huang has over 20 years of experience in investment and financing industries. From August 2002 to November 2004, he served as the vice manager of the department of personal housing loan; from November 2004 to September 2008, as the vice general manager of the corporate financing management centre, from September 2008 to February 2012, as the general manager of the department of corporate financing management and from January 2013 to December 2013, as the general manager of the department of institutional banking of Shenzhen branch, Industrial and Commercial Bank of China. Since December 2013, he has served as the senior vice president of Shenzhen Baoneng Investment Group Co., Ltd* (深圳市寶能投資集團有限公司), a conglomerate principally engaged in real estate, logistics, cultural tourism and financial business.

Mr. Zhang Chi (張弛), aged 30, was appointed as an Executive Director of the Company on 13 July 2017. He is also a member of each of the Strategic Committee and Investment Committee of the Board of the Company. Mr. Zhang graduated with a Bachelor degree in Law from the Shenzhen University in PRC. He also obtained a Master degree of Science in Management from New York University in the USA. Mr. Zhang has relevant experience in fund investment. From January 2013 to June 2013, Mr. Zhang served as an officer in the investment department in Shenzhen Sichuang Technology Development Co. Ltd.* (深圳思創科技發展有限公司), a company principally engaged in the development and production of computer software and the design of computer network. From September 2015 to present, Mr. Zhang was employed by Shenzhen Creative Investment Group Limited* (深圳市創新投資集團有限公司), a company principally engaged in the provision of services on business start-ups, and served as an intern in the fund management headquarter from September 2015 to April 2016, as an officer in the fund management headquarter since April 2016 and as an investment manager in a management headquarter managing a Government Guide Fund since October 2016.

NON-EXECUTIVE DIRECTOR

Mr. Chen Kaiben (陳凱犇), aged 33, was appointed as a Non-Executive Director of the Company on 1 November 2018. He is also a member of the Audit Committee of the Company. Mr. Chen graduated with a Bachelor degree in Business Administration in Logistics and Supply Chain Management at the Guangdong University of Foreign Studies in the PRC. He has extensive experience in logistics, securities and financial industries. He is also a non-executive director of NSG. From June 2012 to March 2016, he respectively served as the supervisor, manager assistant of the securities department and representative of securities affairs of Baocheng Investment Co., Ltd.* (寶誠投資股份有限公司). From March 2016 to February 2018, he served as the deputy director of the operations management department of Shenzhen Bao Da Financial Services Co., Ltd.* (深圳寶達金融服務有限公司) and in March 2018, he was re-designated as the deputy director of the financial and securities department.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Bong (王振邦), aged 60, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is also a chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee of the Company. Mr. Wong has held a range of positions relating to the provision of assurance, taxation, accounting and financial management services, which the Company believes will enhance in the overall financial control and management of the Group. Mr. Wong holds a higher diploma in Accountancy from The Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University. He is also an independent non-executive director of NSG. Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is also a member of both the Council and Court of The Hong Kong Polytechnic University. He is the ex-Chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. Mr. Wong is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England and Wales.

Professor Lee Kwok On, Matthew (李國安), aged 59, PhD, was appointed as an Independent Non-Executive Director of the Company on 28 November 2009. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Strategic Committee of the Company. He is the Vice-President (Development & External Relations) and Chair professor of Information Systems & E-Commerce at the City University of Hong Kong. Professor Lee is the Chairman of Hong Kong Committee for Pacific Economic Cooperation. He is an independent non-executive director of Computer and Technologies Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange (stock code: 00046). Professor Lee holds a first-class honours Bachelor degree in electronic engineering and a MBA degree in Business Studies from the University of Sheffield in the United Kingdom, a MSc degree in Computation from the University of Oxford in the United Kingdom, a PhD degree in Computer Science from the University of Manchester in the United Kingdom, a LLB degree and a LLM degree in Commercial & Corporate Law from the University of London in the United Kingdom. He is a Chartered Engineer of the UK Engineering Council, a professional member of the British Computer Society. Professor Lee has been admitted as a barrister-at-law in Hong Kong and England & Wales.

Mr. Lee Kwan Hung (李均雄), aged 53, was appointed as an Independent Non-Executive Director of the Company on 27 November 2015. He is also a member of the Nomination Committee of the Company. He received his Bachelor of Laws (Honors) and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. From December 1992 to April 1994, Mr. Lee worked in the Listing Division of the Hong Kong Stock Exchange, where he successively served as a manager and a senior manager, and was a partner of Woo, Kwan, Lee & Lo from April 2001 to February 2011. Mr. Lee is currently a consultant at Howse Williams Bowers. He serves as an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Embry Holdings Limited (Stock Code: 01388) since November 2006, NetDragon Websoft Holdings Limited (Stock Code: 00777) since October 2007, Asia Cassava Resources Holdings Limited (Stock Code: 00841) since January 2009, Newton Resources Ltd. (Stock Code: 01231) since December 2010, Tenfu (Cayman) Holdings Company Limited (Stock Code: 06868) since August 2011, China BlueChemical Ltd. (Stock Code: 03983) since June 2012, Landsea Green Properties Co., Ltd. (Stock Code: 00106) since July 2013, Red Star Macalline Group Corporation Ltd. (Stock Code: 01528) since February 2015, FSE Engineering Holdings Limited (Stock Code: 00331) since November 2015 and Ten Pao Group Holdings Limited (Stock Code: 01979) since November 2015.

In the previous three years, Mr. Lee was also an independent non-executive director of Walker Group Holdings Limited (Stock Code:01386) from February 2011 to April 2016 and Futong Technology Development Holdings Limited (Stock Code: 00465) from November 2009 to November 2017.

KEY PERSONNELS

Mr. Ho Ka Yiu Simon (何嘉耀), aged 40, was appointed as the Chief Financial Officer and Company Secretary of the Group on 12 December 2018. Mr. Ho holds a Bachelor degree in Accountancy from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has nearly 20 years of experience in auditing, professional accounting and financial management. Prior to joining the Company, he worked in several international audit firms and served as a chief financial officer, company secretary and authorised representative in a listed company in Hong Kong.

Mr. Kam Yun Kwong, Dick (甘潤光), aged 54, is the founder of Gallant Tech Limited which was established in 2006. Mr. Kam joined the Group in January 2012. Mr. Kam is currently the General Manager of Gallant Tech Limited and is responsible for driving the business of the Group's Automation platform. Mr. Kam has over 23 years of experience in equipment distribution business and has developed very strong business network in PRC with sound knowledge in surface mount technology ("SMT") and electronics assembly process. He was the General Manager in American Tec Co Ltd. (which is a subsidiary of North Asia Strategic Holdings Ltd. which is listed in Hong Kong GEM board (Stock Code: 08080), before the setup of his own business. Mr. Kam obtained a Higher Certificate in Electronic Engineer from the Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University. He was granted an IMBA degree from the Victoria University of Wellington in New Zealand.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2018 interim report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Directors	
Mr. Yao Jianhui	Appointed as an executive director of New Sports Group Limited on 20 December 2018
Mr. Lau Wan Po	Re-designated as an executive director and appointed as a member of the investment committee of the Company on 1 March 2019
	Resigned as a non-executive director of Huabang Financial Holdings Limited (Stock Code: 03638, a company listed on the Stock Exchange) on 8 October 2018
Mr. Li Minbin	Appointed as an executive director of New Sports Group Limited on 20 December 2018
Mr. Huang Wei	Re-designated as an executive director of the Company on 1 November 2018
Non-executive Director	
Mr. Chen Kaiben	Appointed as a non-executive director and a member of the audit committee of the Company on 1 November 2018
	With effect from 1 December 2018, Mr. Chen Kaiben ceased to receive any director's fee
	Appointed as a non-executive director of New Sports Group Limited on 20 December 2018
Independent Non-executive Director	
Mr. Wong Chun Bong	Appointed as an independent non-executive director of New Sports Group Limited on 20 December 2018

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

Report of the Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of China Goldjoy Group Limited and its subsidiaries for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 11 to the consolidated financial statements.

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2018 are provided in the section headed "Chairman's Statement" on pages 6 to 9 and the section headed "Management Discussion and Analysis" on pages 10 to 30 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2018 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 10 to 30 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 67 to 70.

The Board recommends the payment of a final dividend of HK0.20 cent per ordinary share for year ended 31 December 2018 (2017: HK0.51 cent) to shareholders whose names appear on register of members of the Company on Monday, 10 June 2019. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Thursday, 30 May 2019, the said final dividend will be paid in cash on or around Wednesday, 26 June 2019. Details of dividend for the year ended 31 December 2018 are set out in Note 37 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

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

(a) for determining eligibility to attend and vote at the 2019 annual general meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m., Friday, 24 May 2019
Closure of register of members:	Monday, 27 May 2019 to Thursday, 30 May 2019 (both days inclusive)
Record Date:	Thursday, 30 May 2019

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

Latest time to lodge transfer documents for registration:	4:30 p.m., Tuesday, 4 June 2019
Closure of register of members:	Wednesday, 5 June 2019 to Monday, 10 June 2019 (both days inclusive)
Record Date:	Monday, 10 June 2019

In order to be eligible to attend and vote at the 2019 annual general meeting and to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

SUMMARY FINANCIAL INFORMATION

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

DONATIONS

During the year ended 31 December 2018, the Group made external donations of approximately HK$50,000 (2017: HK$50,000).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the placing of new shares under general mandate mentioned above, neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 48 and Note 26 respectively, to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$2,570.7 million (2017: HK$2,114.8 million), of which HK0.20 cent dividend (2017: HK0.51 cent) has been proposed for the year. Under the Companies Law, the share premium account of the Company of approximately HK$4,193.2 million as of 31 December 2018 (2017: HK$3,694.2 million) is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 7.8% (2017: 5.5%) of the Group's revenue and 44.6% (2017: 25.2%) of the Group's purchases, were attributable to the Group's five largest customers and five largest suppliers, respectively; and 2.0% (2017: 1.5%) of the Group's revenue and 17.5% (2017: 11.2%) of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

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

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Yao Jianhui (Chairman)
Mr. Lau Wan Po (appointed as Non-Executive Director on 3 July 2018 and re-designated on 1 March 2019)
Mr. Li Minbin
Mr. Zhang Chi
Mr. Huang Wei (re-designated on 1 November 2018)

Non-Executive Director

Mr. Chen Kaiben (appointed on 1 November 2018)

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung

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

DIRECTORS' BIOGRAPHIES

The biographical details of the current Directors of the Company are set out on pages 31 to 33 of the annual report and can be found on the Company's website.

DIRECTORS' SERVICE CONTRACTS

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

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

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

REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 49 and 33, respectively to the consolidated financial statements.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

As of 31 December 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
Mr. Yao Jianhui (Note)	Interest in controlled corporation	10,794,943,600	41.73%
	Beneficial owner	44,468,000	0.17%

Note: Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,794,943,600 shares in the Company.

Save as disclosed above, as of 31 December 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 year ended 31 December 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 year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

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

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

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

As of 31 December 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
Tinmark Development Limited	Beneficial owner	10,794,943,600	41.73%
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 Manger	4,219,560,000	16.31%

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

Save as disclosed above, as of 31 December 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.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2018, the Group employed approximately 752 (2017: 735) full-time staff principally in Hong Kong and the PRC.

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

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

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 33 to the consolidated financial statements.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

No share options of the Company were granted, exercised, cancelled or lapsed during the year.

CONTINUING CONNECTED TRANSACTIONS

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

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

During the year ended 31 December 2018, the aggregated maximum daily outstanding amount of margin financing services and aggregated amount of interest income on margin financing services for Mr. Cheung Lit Wan, Kenneth, Ms. Lam Oi Chun and their associates were HK$92,334,000 and HK$1,742,000 respectively.

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

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

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

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

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2018. The consolidated financial statements for the year ended 31 December 2018 have been audited by the Company's independent auditor, BDO Limited.

CORPORATE GOVERNANCE

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

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by BDO Limited. BDO Limited were appointed as auditor of the Company on 14 December 2018 for the financial year ended 31 December 2018 upon the resignation of PricewaterhouseCoopers who have acted as auditor of the Company for the preceding five financial years.

BDO Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of BDO Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
YAO Jianhui
Chairman

Hong Kong, 27 March 2019

Corporate Governance Report

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

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

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

The Board procedures are in compliance with the articles of association (the "Articles") of the Company as well as relevant rules and regulations. For the year ended 31 December 2018, there were no significant changes to the Articles.

CORPORATE GOVERNANCE PRACTICES

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the CG Code in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A.2.1 Mr. Yao Jianhui ("Mr. Yao") currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. Mr. Yao has extensive experience in a wide range of industries, including food, construction materials, real estate, commerce, agricultural and forestry, logistics, technology and finance. The Board believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership and more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of Independent Non-Executive Directors, and thus the Board believes that a balance of power and authority has been and will be maintained.

THE BOARD

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

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2018, as well as the number of such meetings held, are set out as follows:

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

Notes:

1. Mr. Lau Wan Po was appointed as Non-Executive Director on 3 July 2018 and re-designated as Executive Director on 1 March 2019

2. Mr. Huang Wei was re-designated from Non-Executive Director to Executive Director on 1 November 2018

3. Mr. Chen Kaiben was appointed on 1 November 2018

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEE

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

Audit Committee

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

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The Audit Committee comprises one non-executive director of the Company, namely Mr. Chen Kaiben and two independent non-executive directors of the Company, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew, of which Mr. Wong Chun Bong is the Chairman. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018. During the year, the Audit Committee has duly discharged the above duties.

Nomination Committee

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

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

Remuneration Committee

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

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

Strategic Committee

The Company established a Strategic Committee on 28 November 2009. The principal duties of the Strategic Committee include considering and recommending to the Board on the Group's business strategies and investment opportunities. The Strategic Committee comprises five members, namely Mr. Yao Jianhui, Mr. Lau Wan Po (appointed on 3 July 2018), Mr. Li Minbin, Professor Lee Kwok On, Matthew and Mr. Zhang Chi, of which Mr. Yao Jianhui is the Chairman. During the year, the Strategic Committee has duly discharged the above duties.

Investment Committee

The Company established Investment Committee on 26 August 2016. The principal duties of the Investment Committee include considering the investment and fund raising proposals made by the Company and its subsidiaries. The Investment Committee comprises five members, namely Mr. Yao Jianhui, Mr. Lau Wan Po (appointed on 1 March 2019), Mr. Li Minbin, Mr. Huang Wei (appointed on 1 November 2018) and Mr. Zhang Chi, of which Mr. Yao Jianhui is the Chairman. During the year, the Investment Committee has duly discharged the above duties.

BOARD DIVERSITY POLICY

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

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

TRAINING AND SUPPORT FOR DIRECTORS

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

During the year ended 31 December 2018, the Directors also participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. Yao Jianhui	A, B
Mr. Lau Wan Po (appointed as Non-Executive Director on 3 July 2018 and re-designated as Executive Director on 1 March 2019)	A, B
Mr. Li Minbin	A, B
Mr. Huang Wei (re-designated on 1 November 2018)	A, B
Mr. Zhang Chi	A, B
Non-Executive Director	
Mr. Chen Kaiben (appointed on 1 November 2018)	A, B
Independent Non-Executive Directors	
Mr. Wong Chun Bong	A, B
Professor Lee Kwok On, Matthew	A, B
Mr. Lee Kwan Hung	A, B

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the group regarding securities transactions of the directors of the Company. All directors of the Company have confirmed that throughout the year ended 31 December 2018, they have complied with the provisions of the Model Code.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INTERNAL CONTROL

Risk management and internal control report

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

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

Risk management structure

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

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

Risk management measures

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

Knowing the objective | Risk identification | Risk assessment | Risk response | Report

Risk control

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

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

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

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

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

   There are four basic strategies of risk response:

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

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

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

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

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

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

Review on system effectiveness

The review on effectiveness of the risk management and internal control system for 2018 covers the year ended 31 December 2018, in which the Board has performed annual review on the effectiveness of the risk management and internal control system of the Group through the Audit Committee, and was of the opinion that the existing risk management and internal control system was sufficient and effective. During the review, the Board has reviewed the adequacy of resources, staff qualification and experience of the audit and financial reporting function of the Group through the Audit Committee, and has not identified any material deficiencies. The Board was not aware of any material issues that may affect the shareholders and require their attention, and was of the view that the internal control of the Group was in full compliance with all of the code provisions relating to internal control under the Corporate Governance Code.

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

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

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

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made appropriate judgement and estimates, prepared the financial statements on a going-concern basis.

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

AUDITOR'S REMUNERATION

On 14 December 2018, PricewaterhouseCoopers has resigned as the auditor of the Company and BDO Limited was appointed as auditor of the Company.

The remuneration in respect of services provided by the external auditors to the Group for the year ended 31 December 2018 is summarised as follows:

	HK$'000
Audit services	
— BDO Limited	3,250
— PRC local CPA firms	96
Non-audit services	
— PricewaterhouseCoopers (note)	1,145

Note: Mainly included professional fees in relation to review on interim financial information, taxation services and certain major transactions of the Company for the year.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

SHAREHOLDER'S RIGHTS

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

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

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

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

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

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

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

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

(iii) Shareholders' Enquiries

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

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2018.

The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2018.

The Directors present their report and the consolidated financial statements of the Company for the year ended 31 December 2018.

On behalf of the Board

Yao Jianhui
Chairman

Hong Kong, 27 March 2019

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

OPINION

We have audited the consolidated financial statements of China Goldjoy Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 72 to 228, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Initial accounting for the equity interests in New Sports Group Limited

Refer to notes 5(d) and 12 to the consolidated financial statements

During the year ended 31 December 2018, the Group completed the acquisition of an aggregate of 1,144,151,739 ordinary shares of New Sports Group Limited ("NSG") at HK$0.360 per share and as a result, the Group's equity interest in NSG increased from approximately 1.01% to 29.19% and NSG became an associate of the Company (the "NSG Acquisition"). A gain on bargain purchase of approximately HK$344,877,000 arising from the NSG Acquisition was credited to the profit or loss during the current financial year.

For the purpose of initial accounting for the investment in NSG, fair value estimation was performed by management, assisted by independent external valuer (the "NSG Management Expert"), to determine the fair value of identifiable assets acquired and liabilities assumed of NSG and its subsidiaries (collectively referred to as "NSG Group") at the date of acquistiion.

The initial accounting for investment in NSG was included as a key audit matter because the fair value estimations involve significant management judgement and estimates with respect to the determination of fair values of the identifiable assets acquired and liabilities assumed.

Our response:

Our key procedures in relation to the equity interests in NSG Group included:

— Understanding the management's identification process of assets acquired and liabilities assumed of NSG Group on the date of acquisition;

— Assessing the appropriateness of the valuation methodologies and the reasonableness of underlying key assumptions and estimation used by the management;

— Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the identifiable assets acquired and liabilities assumed of NSG Group; and

— Assessing the independence, competence and objectivity of the NSG Management Expert and auditor's expert.

Valuation of properties in respect of the acquisition of Laihua Taifeng Limited

Refer to notes 5(d) and 47(a) to the consolidated financial statements

In May 2018, the Group completed the acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") at a consideration of approximately HK$807,312,000 (the "Taifeng Acquisition"). A gain on bargain purchase of approximately HK$44,042,000 was credited to profit or loss during the current financial year.

Management of the Company accounted for the Taifeng Acquisition as a business combination using the acquisition method under HKFRS 3 (Revised) Business Combinations and has engaged an independent external valuer (the "Taifeng Management Expert") to perform the valuation of the fair value of the identifiable assets and liabilities of Taifeng as at the date of acquisition.

We focused on the valuation of the fair value of the inventories of properties and investment properties (the "Properties") as at the date of acquisition due to significant judgements involved in determining the fair value and the significance of the value of Properties to the fair value of identifiable assets acquired and liabilities assumed. The fair value of the Properties amounted to HK$944,978,000 as at the date of acquisition was determined by the Taifeng Management Expert. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the Properties.

Our response:

Our key procedures in relation to the valuation of Properties in respect of the Taifeng Acquisition included:

— Understanding the management's identification process of assets acquired and liabilities assumed of Taifeng as at the date of acquisition;

— Assessing the appropriateness of the methodologies applied and the reasonableness of the key assumptions and estimation used by the management;

— Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the Properties; and

— Assessing the independence, competence and objectivity of the Taifeng Management Expert and auditor's expert.

Valuation of investment properties

Refer to notes 5(e) and 9 to the consolidated financial statements

The Group's investment properties amounted to HK$3,082,784,000 as at 31 December 2018 and a fair value gain of HK$255,733,000 was accounted for under "fair value gain on investment properties" in the consolidated statement of comprehensive income for the year.

Management of the Company engaged independent external valuers (the "IP Management Expert") to determine the valuation of the Group's investment properties at the end of the reporting period. Valuations of the Group's investment properties are dependent on certain key assumptions and estimations that require significant management judgement. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the properties.

Our response:

Our key procedures in relation to the valuation of investment properties included:

— Assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the investment properties;

— Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the investment properties;

— Assessing the adequacy of related disclosures in the consolidated financial statements; and

— Assessing the independence, competence and objectivity of the IP Management Expert and auditor's expert.

Other information in the Annual Report

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 9 March 2018.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 27 March 2019

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non–current assets			
Property, plant and equipment	7	409,910	433,258
Prepaid land lease payments	8	4,839	4,105
Investment properties	9	3,082,784	2,447,232
Intangible assets	10	189,087	194,670
Investments in associates	12	1,154,558	–
Available-for-sale financial assets	13(a)	–	1,534,850
Financial assets at fair value through other comprehensive income	13(b)	903,857	–
Deferred tax assets	28	–	9,194
Trade receivables	18	–	8,341
Finance lease receivables	20	91,394	104,382
Deposits and other receivables	21	24,275	–
		5,860,704	4,736,032
Current assets			
Inventories	14	42,081	55,512
Properties under development	15	863,272	524,212
Completed properties held for sale	16	353,118	698,267
Loans and advances	17	960,394	892,904
Trade receivables	18	154,417	356,123
Contract assets	19	37,224	–
Finance lease receivables	20	44,244	19,789
Prepayments, deposits and other receivables	21	207,684	276,383
Current tax recoverable		-	10,270
Held-to-maturity investment	22	-	60,000
Financial assets at fair value through profit or loss	23	982,589	952,960
Client trust bank balances	24	261,084	101,031
Restricted cash	24	67,893	46,154
Time deposits with original maturity over three months	24	39,350	–
Cash and cash equivalents	24	907,123	2,231,369
		4,920,473	6,224,974
Total assets		10,781,177	10,961,006
Current liabilities			
Trade and bills payables	29	779,925	737,629
Contract liabilities	19	291,438	–
Accruals and other payables	30	637,512	1,382,774
Borrowings	27	1,654,504	417,903
Current tax liabilities		100,654	84,346
		3,464,033	2,622,652
Net current assets		1,456,440	3,602,322
Total assets less current liabilities		7,317,144	8,338,354

	Notes	2018 HK$'000	2017 HK$'000
Non–current liabilities			
Other payables	30	–	77,364
Borrowings	27	31,847	207,962
Deferred tax liabilities	28	320,543	283,647
		352,390	568,973
Total liabilities		3,816,423	3,191,625
NET ASSETS		6,964,754	7,769,381
EQUITY			
Share capital	25	2,586,981	2,467,933
Reserves		3,715,486	4,777,982
Equity attributable to owners of the Company		6,302,467	7,245,915
Non–controlling interests		662,287	523,466
TOTAL EQUITY		6,964,754	7,769,381

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2019 and were signed on its behalf.

Yao Jianhui
Chairman

Li Minbin
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	1,582,581	2,825,287
Cost of sales		(1,063,217)	(1,954,011)
Gross profit		519,364	871,276
Other (losses)/gains — net	31	(35,597)	4,563
Other income	31	56,569	115,284
Gain on bargain purchase from acquisition of a subsidiary	47	44,042	208,012
Gain on bargain purchase from acquisition of an associate	12	344,877	–
Fair value gain on investment properties	9	255,733	123,409
Distribution costs		(38,593)	(28,823)
Administrative expenses		(295,872)	(240,319)
Profit from operations		850,523	1,053,402
Finance (costs)/income — net	34	(56,100)	10,673
Share of results of associates	12	15,089	(3,460)
Provision for impairment of investment in an associate	12	–	(5,212)
Profit before income tax	32	809,512	1,055,403
Income tax expense	35	(133,916)	(161,512)
Profit for the year		675,596	893,891
Profit attributable to:			
Owners of the Company		670,827	869,170
Non–controlling interests		4,769	24,721
		675,596	893,891

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gain on available–for–sale financial assets, net of tax		–	76,874
Currency translation differences		(234,985)	140,661
Share of other comprehensive income of associates		(30,422)	–
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity investments designated at fair value through other comprehensive income		(2,051,800)	–
Other comprehensive income for the year		(2,317,207)	217,535
Total comprehensive income for the year		(1,641,611)	1,111,426
Total comprehensive income for the year attributable to:			
Owners of the Company		(1,632,515)	1,054,955
Non–controlling interests		(9,096)	56,471
		(1,641,611)	1,111,426
Earnings per share	36		
— Basic (HK cents)		2.60	3.90
— Diluted (HK cents)		2.60	3.90

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (note 26(a))	Capital reserve HK$'000 (note 26(b))	Share option reserve HK$'000	Statutory reserve HK$'000 (note 26(c))	Other reserves HK$'000	Available-for-sale financial assets revaluation reserve HK$'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 equity HK$'000
At 1 January 2017	2,214,860	2,402,151	(215,150)	12,411	370	71,370	(224,488)	(25,825)	–	3,768	463,130	446,765	5,149,362
Profit for the year	–	–	–	–	–	–	–	–	–	–	869,170	24,721	893,891
Other comprehensive income:													
Fair value on available-for-sale financial assets, net of tax	–	–	–	–	–	–	–	76,874	–	–	–	–	76,874
Currency translation differences	–	–	–	–	–	–	–	–	–	108,911	–	31,750	140,661
Total other comprehensive income	–	–	–	–	–	–	–	76,874	–	108,911	–	31,750	217,535
Total comprehensive income	–	–	–	–	–	–	–	76,874	–	108,911	869,170	56,471	1,111,426
Proceeds from shares issued (Note 25)	252,873	1,297,124	–	–	–	–	–	–	–	–	–	–	1,549,997
Dividend paid	–	–	–	–	–	–	–	–	–	–	(70,875)	–	(70,875)
Transactions with non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	20,230	20,230
Exercise of share options (Note 25)	200	1,010	–	–	(370)	–	–	–	–	–	–	–	840
Revaluation reserve arising from reclassification of property, plant and equipment to investment properties (Note 9)	–	–	–	–	–	–	8,401	–	–	–	–	–	8,401
Transfer to statutory reserve	–	–	–	–	–	32,385	–	–	–	–	(32,385)	–	–
At 31 December 2017 as originally presented	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
Initial application of HKFRS 9 (Note 2)	–	–	–	–	–	–	–	(51,049)	82,430	–	(7,749)	(659)	22,973
At 1 January 2018 (restated)	2,467,933	3,700,285	(215,150)	12,411	–	103,755	(216,087)	–	82,430	112,679	1,221,291	522,807	7,792,354

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (note 26(a))	Capital reserve HK$'000 (note 26(b))	Statutory reserve HK$'000 (note 26(c))	Other reserves HK$'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 equity HK$'000
At 1 January 2018 (restated)	2,467,933	3,700,285	(215,150)	12,411	103,755	(216,087)	82,430	112,679	1,221,291	522,807	7,792,354
Profit for the year	–	–	–	–	–	–	–	–	670,827	4,769	675,596
Other comprehensive income:											
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(2,051,800)	–	–	–	(2,051,800)
Share of other comprehensive income of associates	–	–	–	–	–	(30,422)	–	–	–	–	(30,422)
Currency translation differences	–	–	–	–	–	–	–	(221,120)	–	(13,865)	(234,985)
Total other comprehensive income	–	–	–	–	–	(30,422)	(2,051,800)	(221,120)	–	(13,865)	(2,317,207)
Total comprehensive income	–	–	–	–	–	(30,422)	(2,051,800)	(221,120)	670,827	(9,096)	(1,641,611)
Proceeds from shares issued (Note 25)	119,048	630,952	–	–	–	–	–	–	–	–	750,000
Dividend paid	–	(131,936)	–	–	–	–	–	–	–	–	(131,936)
Transactions with non-controlling interests (Note 11)	–	–	–	–	–	47,371	–	–	–	148,576	195,947
Transfer of accumulated gain of fair value through other comprehensive Income within equity	–	–	–	–	–	–	(41,232)	–	41,232	–	–
Transfer to statutory reserve	–	–	–	–	14,792	–	–	–	(14,792)	–	–
At 31 December 2018	2,586,981	4,199,301	(215,150)	12,411	118,547	(199,138)	(2,010,602)	(108,441)	1,918,558	662,287	6,964,754

Consolidated Statement of Cash Flow

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	38(a)	**(3,816)**	537,551
Hong Kong Profits Tax paid		**(92,077)**	(13,443)
PRC corporate income tax paid		**(107,217)**	(8,938)
Net cash (used in)/generated from operating activities		**(203,110)**	515,170
Cash flows from investing activities			
Additions of property, plant and equipment		**(10,172)**	(34,906)
Payment for construction costs of investment properties		**(174,996)**	(137,415)
Additions of intangible assets		**(1,760)**	–
Additions of finance lease receivables		**–**	(121,614)
Additions of investment properties		**–**	(64,997)
Purchase of available-for-sale financial assets		**–**	(517,296)
Purchase of financial assets at fair value through other comprehensive income		**(2,304,827)**	–
Proceeds received on disposal of property, plant and equipment		**9,954**	31,328
Proceeds from disposal of an associate		**–**	89,170
Proceeds from disposal of partial interest of an associate		**20,000**	–
Proceeds from disposal of subsidiaries		**–**	34,300
Net cash outflow arising from deemed disposal of a subsidiary		**(7,009)**	–
Purchase of held-to-maturity investment		**–**	(60,000)
Proceeds from disposal of available-for-sale financial assets		**–**	7,024
Proceeds from disposal of financial assets at fair value through other comprehensive income		**1,258,050**	–
Proceeds from disposal of held-to-maturity investment		**60,000**	25,000
Interest received from finance lease receivables		**–**	2,929
Interest received		**9,087**	10,623
Dividend received from an associate		**–**	9,339
Dividend received from other investments		**20,069**	59,950
Investments in associates	12	**(861,895)**	–
Acquisition of subsidiaries through business combination, net	47	**(875,299)**	(105,548)
Increase in time deposits with original maturity over three months		**(40,853)**	–
Net cash used in investing activities		**(2,899,651)**	(772,113)

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Drawdown of bank borrowings		1,913,994	263,659
Repayments of bank borrowings		(984,602)	(625,328)
Proceeds from issuance of corporate bonds		143,000	31,000
Interest paid		(64,518)	(20,000)
Proceeds from issuance of shares		750,000	1,550,837
Dividends paid	37	(131,936)	(70,875)
Transactions with non-controlling interests		195,947	(180,026)
Net cash generated from financing activities		1,821,885	949,267
Net (decrease)/increase in cash and cash equivalents		(1,280,876)	692,324
Cash and cash equivalents at beginning of year		2,231,369	1,535,633
Exchange (loss)/gain on cash and cash equivalents		(43,370)	3,412
Cash and cash equivalents at end of year	24	907,123	2,231,369

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new or revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new HKFRSs and amendments to HKFRSs has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 — Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces Hong Kong Accounting Standard ("HKAS") 39 Financial Instruments: Recognition and Measurement for the Group's annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the consolidated financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it supersedes HKAS 39's categories of held-to-maturity investment, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost only if both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

There is no change in the classification and measurement of the Group's financial liabilities and the liabilities are continued to be measured at amortised cost at the date of transition.

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018 (including impairment):

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 31 December 2017 under HKAS 39 HK$'000	Remeasurement HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Listed equity investments	Available-for-sale (at fair value)	FVOCI	1,483,818	–	1,483,818
Listed equity investments	FVTPL	FVOCI	378,398	–	378,398
Listed equity investments	FVTPL	FVTPL	574,562	–	574,562
Unlisted equity investments	Available-for-sale (at costs)	FVOCI	51,032	31,381	82,413
Listed debt securities	Held-to-maturity investment	Amortised cost	60,000	–	60,000
Loans and advances	Loans and receivables	Amortised cost	892,904	(3,295)	889,609
Trade receivables and contract assets	Loans and receivables	Amortised cost	364,464	(5,113)	359,351
Finance lease receivables	Loans and receivables	Amortised cost	124,171	–	124,171
Other loans and receivables	Loans and receivables	Amortised cost	181,631	–	181,631
Client trust bank balances	Loans and receivables	Amortised cost	101,031	–	101,031
Restricted cash	Loans and receivables	Amortised cost	46,154	–	46,154
Cash and cash equivalents	Loans and receivables	Amortised cost	2,231,369	–	2,231,369
			6,489,534	22,973	6,512,507

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

The following tables summarised the impact of transition to HKFRS 9 on the opening balances of retained earnings and reserves as of 1 January 2018:

	Notes	HK$000
Retained earnings		
Retained earnings as at 31 December 2017		1,229,040
Recognition of additional expected credit losses (attributable to owners of Company)	A(ii)	(7,749)
Restated retained earnings as at 1 January 2018		1,221,291
Available-for-sale financial assets revaluation reserve		
Reserve as at 31 December 2017		51,049
Transfer to financial assets at FVOCI reserve	A(i)(I)	(51,049)
Restated reserve as at 1 January 2018		–
Financial assets at FVOCI reserve		
Reserve as at 31 December 2017		–
Transfer from available-for-sale financial assets revaluation reserve	A(i)(I)	51,049
Remeasurement of financial assets now measured at FVOCI	A(i)(II)	31,381
Restated reserve as at 1 January 2018		82,430
Non-controlling interests ("NCI")		
NCI as at 31 December 2017		523,466
Recognition of additional expected credit losses (attributable to NCI)	A(ii)	(659)
Restated as at 1 January 2018		522,807

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

(I) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets at fair value to financial assets measured at FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of approximately HK$1,483,818,000 were reclassified from available-for-sale financial assets at fair value to financial assets measured at FVOCI and cumulative fair value gains of approximately HK$51,049,000 were reclassified from the available-for-sale financial assets revaluation reserve to the financial assets at FVOCI reserve on 1 January 2018.

(II) As of 1 January 2018, certain unlisted equity investments were reclassified from available-for-sale financial assets at cost to financial assets measured at FVOCI. These unquoted equity instrument has no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instrument at the date of initial application as financial assets measured at FVOCI. As at 1 January 2018, the difference between the previous carrying amount and the fair value of HK$31,381,000 has been recognised in the financial assets at FVOCI reserve.

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

(IV) 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 carrying amount under HKAS 39 and the carrying amount under HKFRS 9.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade and other receivables, financial assets at amortised costs, contract assets and debt investment at FVTPL earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

The Group applies the new ECL model to the following items:

— Financial assets at amortised cost; and

— Contract assets.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12 months ECL. The 12 months ECL is the portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(ii) Impairment of financial assets (Continued)

Measurement of ECLs *(Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

Impact of the ECL model

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 ECL model at 1 January 2018:

	Impairment allowance under HKAS 39 HK$'000	Additional ECL recognised at 1 January 2018 HK$'000	Impairment allowance under HKFRS9 HK$'000
Loans and advances	–	3,295	3,295
Trade receivables	3,017	4,599	7,616
Contract assets	–	514	514
Total	3,017	8,408	11,425

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

A. HKFRS 9 *(Continued)*

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information may not be comparable as those was prepared under HKAS 39.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Timing of revenue recognition

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

— provides all of the benefits received and consumed simultaneously by the customer;

— creates and enhances an asset that the customer controls as the Group performs; or

— do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

B. HKFRS 15 *(Continued)*

Timing of revenue recognition (Continued)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

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

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

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

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

B. HKFRS 15 *(Continued)*

Timing of revenue recognition (Continued)

Under the requirements of HKFRS 15, revenue from sale of goods and provision of services by the Group will be recognised when the customer obtains control of the promised goods or services in the contract. The Group has assessed that the adoption of HKFRS 15 would be relevant to the recognition of revenue relating to the Group's sale of properties, under which the revenue from the sale of properties during the accounting period is recognised in the Group's consolidated statement of comprehensive income on the basis that control over the ownership of the property has been passed to the customer during the current accounting period. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the Hong Kong and the People's Republic of China ("PRC"), the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously, the revenue from the sale of properties was recognised upon delivery of property to the purchaser pursuant to the sales agreement, which was taken to be the point in time when the risks and rewards of ownership of the property had been passed to the customer.

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to goods delivered and accepted by customers but the acceptance certificate and final payment were under arrangement were presented in the consolidated statement of financial position under "trade receivables".

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

B. HKFRS 15 *(Continued)*

Presentation of contract assets and liabilities (Continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(i) The earned consideration that is conditional to the completion of product certification process amounting to HK$102,861,000, which were previously included in trade receivables (note 18) are now included under contract assets (note 19(a)); and

(ii) Consideration received from customers in advance amounting to HK$142,437,000, which were previously included in accruals and other payables (note 30) are now included under contract liabilities (note 19(b)).

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 31 December 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15	**Hypothetical amounts under HKASs 18 and 11**	**Difference: Estimated impact of adoption of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Consolidated statement of financial position (extract)			
Contract assets	37,224	–	37,224
Trade receivables	154,417	191,641	(37,224)
Accrual and other payables	637,512	928,950	(291,438)
Contract liabilities	291,438	–	291,438

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

B. HKFRS 15 *(Continued)*

Transition

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening retained earnings as at 1 January 2018. Therefore, comparative information would not be restated and continues to be reported under HKAS 11 and HKAS 18. As allowed under HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

2.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
Amendments to HKFRS 3	Definition of business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which are likely to have significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

As set out in note 39, the total operating lease commitment of the Group in respect of rented premises as at 31 December 2018 amounted to HK$12,995,000. The directors of the Company anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out in note 4 below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investment in an associate is accounted for using equity method as mentioned above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.17), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.5 Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.6 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Investment property *(Continued)*

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from stock of properties to investment properties (which is evidenced by commencement of operating leases) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

4.7 Prepaid land lease payments held for own use under operating leases

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the lease term and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4.9 Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Contractual customer relationships	7 years
License	Indefinite
Trademarks and patents	3-10 years
Other intangible assets	5-8 years

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Intangible assets (other than goodwill) *(Continued)*

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.17).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments

(A) Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely 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. There are two measurement categories into which the Group classifies its debt instruments:

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. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(i) Financial assets (Continued)

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

Equity instruments

Equity investment is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument- by- instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to accumulated profits. It is not recycled through profit or loss. Dividends from an equity investment, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(ii) Impairment loss on financial assets (Continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.10A(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(viii) Offsetting of financial instruments

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

(B) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(i) Financial assets (Continued)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables or held-to-maturity investments

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For available-for-sale financial assets *(Continued)*

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payable, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial Instruments *(Continued)*

(B) Accounting policies applied until 31 December 2017 *(Continued)*

(viii) Offsetting of financial instruments

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

4.11 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.12 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the anticipated sales proceeds of properties sold in the ordinary course of business, less estimated selling expenses and the anticipated costs to completion.

Development cost of property comprises cost of land, development costs, borrowing costs and other direct costs attributable to the development of such properties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition

(A) Accounting policies applied from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods 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.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(i) Sales of goods

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. Invoices are usually payable within 60 days. In the comparative period, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the sale of goods provides customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. In the comparative period, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made. There was no significant impact on the opening retained profits as at 1 January 2018.

(ii) Sale of properties

The Group develops and sells residential and commercial 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.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

(iii) 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.

(iv) Securities investment income

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

(v) Other 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.

Consultancy fee income is recognised on a time proportion basis.

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

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

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.

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

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

(A) Accounting policies applied from 1 January 2018 *(Continued)*

Contract assets and liabilities

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

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

Contract asset is recognised when the Group has the right to consideration under the contracts with customer from the sale of automated production related products but not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the product certification. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Revenue recognition *(Continued)*

(B) Accounting policies applied until 31 December 2017

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

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

(i) Sales of goods

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

(ii) Sale of properties

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

Commission and brokerage income, securities investment income and other income were recognised on a similar basis prior to 1 January 2018 under HKAS 18.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.17 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- prepaid land lease payments; and
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Impairment of assets (other than financial assets) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4.4), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.18 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

4.21 Cash and cash equivalents

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

4.22 Share-based payments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Share-based payments *(Continued)*

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

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

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

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

4.23 Client trust bank balances

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

4.24 Fiduciary activities

Apart from the client trust bank balances as mentioned above, the Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in these financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 Put option arrangements

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

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

4.26 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.26 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply: *(Continued)*

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical judgements

Assessment of fund investments as structured entities

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. As at 31 December 2018, having considered the fact patterns surrounding each of investment funds in which the Group has interest or acts as a fund manager, the Group considers that it has no control on any investment funds.

Key sources of estimation uncertainty

In addition to disclosed elsewhere in the financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(a) Impairment of property, plant and equipment, prepaid land lease payments and intangible assets

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(c) Estimates of current tax and deferred tax

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Fair value measurement on the acquisition of subsidiaries and associates

The purchase price was allocated to the identifiable assets and liabilities acquired based on management's estimates of fair value with the assistance of the external independent valuer engaged by the Group.

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

The intangible assets identification and the valuation process for intangible assets requires significant judgement by management in respect of estimates of future cash flows and associated discount rates to ensure the valuation techniques and inputs used are reasonable and supportable. Where there are any changes on inputs of valuation, a change on the results on bargain purchase may arise.

(e) Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(f) Net realisable value of inventories of properties

Included in the consolidated statement of financial position at 31 December 2018, inventories of properties with an aggregate carrying amount of HK$1,216,390,000 (2017: HK$1,222,479,000). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result.

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 respective to financial services under the SFO in Hong Kong;

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

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

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

6. SEGMENT INFORMATION *(Continued)*

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

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)/income — net, share of results of associates, provision for impairment of investment in an associate and gain on bargain purchase from acquisition of an associate are not allocated to segments, as these type of activities are managed by the central finance and accounting function, which manages the working capital of the Group. The CEO assesses the performance of the operating segments based on a measure of operating profit, which is in a manner consistent with that of the consolidated financial statements.

The Group's revenue by segment is as follows:

	2018			2017		
	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000	Total segment revenue HK$'000	Inter segment revenue HK$'000	Revenue from external customers HK$'000
Automation	567,061	–	567,061	612,999	–	612,999
Financial Services	185,850	(7,077)	178,773	148,098	(2,343)	145,755
Manufacturing	99,351	–	99,351	122,946	–	122,946
Property Investment and Development	714,972	(8,347)	706,625	1,421,591	(8,857)	1,412,734
Securities Investment	30,771	–	30,771	530,853	–	530,853
Total	1,598,005	(15,424)	1,582,581	2,836,487	(11,200)	2,825,287

6. SEGMENT INFORMATION *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Operating profits/(losses)		
Automation	**46,441**	34,231
Financial Services	**38,776**	64,413
Manufacturing	**(39,120)**	(60,972)
Property Investment and Development	**468,724**	445,219
Securities Investment	**14,035**	556,243
	528,856	1,039,134
Unallocated		
Other (losses)/gains — net	**(10,597)**	4,563
Other income	**20,662**	41,630
Administrative expenses	**(33,275)**	(31,925)
Finance (costs)/income — net	**(56,100)**	10,673
Share of results of associates	**15,089**	(3,460)
Gain on bargain purchase from acquisition of an associate	**344,877**	–
Provision for impairment of investment in an associate	**–**	(5,212)
Profit before income tax	**809,512**	1,055,403

	2018 HK$'000	2017 HK$'000
Other segment items — depreciation and amortisation		
Automation	**(229)**	(123)
Financial Services	**(9,177)**	(7,868)
Manufacturing	**(4,406)**	(24,508)
Property Investment and Development	**(3,599)**	(42)
Securities Investment	**(559)**	(326)
Unallocated	**(6,903)**	(6,946)
	(24,873)	(39,813)

6. SEGMENT INFORMATION *(Continued)*

Reportable segment assets are reconciled to total assets as follows:

	2018 HK$'000	2017 HK$'000
Segment assets		
Automation	472,818	488,077
Financial Services	1,484,548	1,331,507
Manufacturing	144,107	247,195
Property Investment and Development	4,938,722	4,077,629
Securities Investment	1,927,674	3,004,435
Segment assets for reportable segments	8,967,869	9,148,843
Unallocated:		
Property, plant and equipment	258,861	265,598
Available-for-sale financial assets	–	136,616
Financial assets at FVOCI	148,126	–
Investments in associates	1,154,558	–
Prepayments, deposits and other receivables	41,180	2,100
Held-to-maturity investment	–	60,000
Financial assets at FVTPL	155,191	19,850
Cash and cash equivalents	55,392	1,327,999
Total assets	10,781,177	10,961,006

The information provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets represent property, plant and equipment, prepaid land lease payments, investment properties, intangible assets, financial assets at FVOCI, loans and advances, trade receivables, contract assets, prepayments, deposits and other receivables, cash and cash equivalents, client trust bank balances, restricted cash, time deposits with original maturity over three months, inventories, finance lease receivables, properties under development, completed properties held for sale and financial assets at FVTPL attributable to various reportable segments.

Unallocated segment assets comprise property, plant and equipment, prepayments, deposits and other receivables, cash and cash equivalents, investments in associates, financial assets at FVTPL and financial assets at FVOCI which are inseparable and are not attributable to particular reportable segments.

6. SEGMENT INFORMATION *(Continued)*

Reportable segment liabilities are reconciled to total liabilities as follows:

	2018 HK$'000	2017 HK$'000
Segment liabilities		
Automation	**175,051**	198,704
Financial Services	**745,807**	511,170
Manufacturing	**49,840**	58,049
Property Investment and Development	**1,880,175**	1,490,028
Securities Investment	**336,371**	82,318
Segment liabilities for reportable segments	**3,187,244**	2,340,269
Unallocated:		
Accruals and other payables	**12,720**	353,995
Borrowings	**436,202**	315,967
Current tax liabilities	**100,654**	84,346
Deferred tax liabilities	**79,603**	97,048
Total liabilities	**3,816,423**	3,191,625

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

Unallocated segment liabilities comprise certain accruals and other payables, borrowings and current and deferred tax liabilities, which are inseparable and are not attributable to particular reportable segments.

Revenue from external customers for Manufacturing and Automation segments are derived from the sales of goods net of returns. Revenue from Securities Investment segment is derived from realised and unrealised gains/(losses) of financial assets at FVTPL. Revenue from Financial Services includes commission and brokerage income on dealings in securities and future contracts, interest income from loans and advances, consultancy fee income, management fee income and performance fee income from financial services. Revenue from Property Investment and Development segment are derived from the sales of properties and rental income.

6. SEGMENT INFORMATION *(Continued)*

The Group's revenue derived from external customers located in Hong Kong, the PRC and the United States of America (the "USA") is HK$187,042,000 (2017: HK$180,294,000), HK$1,382,618,000 (2017: HK$2,145,898,000) and nil (2017: HK$439,000) respectively. The remaining balances of the Group's revenue represented securities trading in Financial Services segment and Securities Investment segment.

The total amount of non-current assets other than financial assets at FVOCI, deferred tax asset, trade receivables, finance lease receivables, deposits and other receivables located in the PRC and Hong Kong is HK$3,116,338,000 (2017: HK$2,421,285,000) and HK$1,724,840,000 (2017: HK$657,980,000) respectively.

Disaggregation of the Group's revenue from major products or service lines:

	2018 HK$'000	2017 HK$'000 (Note)
Revenue from contracts with customers within the scope of HKFRS 15		
— Sale of goods	658,254	725,924
— Sale of properties	666,078	1,390,012
— Installation and maintenance income	8,158	10,021
— Commission and brokerage income	80,490	101,108
— Management fee and performance fee income	6,172	6,082
	1,419,152	2,233,147
Revenue from other sources		
— Securities investment income	12,921	498,656
— Interest income from money lending	109,961	70,762
— Rental income	40,547	22,722
	163,429	592,140
Total revenue	1,582,581	2,825,287
Timing of revenue recognition		
At a point in time	1,412,980	2,227,065
Transferred over time	6,172	6,082
	1,419,152	2,233,147

Note: During the year ended 31 December 2018, the Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2017							
Cost	515,371	18,704	187,731	5,032	3,161	96,868	826,867
Accumulated depreciation and impairment	(146,468)	(12,428)	(182,119)	(2,640)	(2,321)	(93,668)	(439,644)
	368,903	6,276	5,612	2,392	840	3,200	387,223
For the year ended 31 December 2017							
Opening net book amount	368,903	6,276	5,612	2,392	840	3,200	387,223
Additions	9,533	11,413	10,023	2,240	1,697	–	34,906
Transfer from assets classified as held for sale	31,260	4,734	29,326	1,381	1,485	(2,173)	66,013
Transfer to investment properties (Note 9)	(985)	–	–	–	–	–	(985)
Acquisition of subsidiaries (Note 47(b))	–	215	–	70	662	–	947
Disposals	–	–	(22,103)	(48)	(103)	–	(22,254)
Depreciation	(10,290)	(9,279)	(10,338)	(1,127)	(1,558)	–	(32,592)
Closing net book amount	398,421	13,359	12,520	4,908	3,023	1,027	433,258
At 31 December 2017							
Cost	554,703	35,066	45,117	8,675	6,259	94,695	744,515
Accumulated depreciation and impairment	(156,282)	(21,707)	(32,597)	(3,767)	(3,236)	(93,668)	(311,257)
Net book amount	398,421	13,359	12,520	4,908	3,023	1,027	433,258

7. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings HK$'000	Leasehold improvement, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2018							
Cost	554,703	35,066	45,117	8,675	6,259	94,695	744,515
Accumulated depreciation and impairment	(156,282)	(21,707)	(32,597)	(3,767)	(3,236)	(93,668)	(311,257)
	398,421	13,359	12,520	4,908	3,023	1,027	433,258
For the year ended 31 December 2018							
Opening net book amount	398,421	13,359	12,520	4,908	3,023	1,027	433,258
Additions	–	3,877	3,164	1,411	1,011	709	10,172
Transfer	–	1,598	–	–	–	(1,598)	–
Acquisition of a subsidiary (Note 47(a))	–	201	–	147	495	–	843
Disposals	(6,008)	(1,233)	(997)	(9)	(86)	–	(8,333)
Depreciation	(9,319)	(4,033)	(1,887)	(1,454)	(725)	–	(17,418)
Exchange realignment	(7,977)	236	(23)	(636)	(74)	(138)	(8,612)
Closing net book amount	375,117	14,005	12,777	4,367	3,644	–	409,910
At 31 December 2018							
Cost	530,718	40,333	47,024	9,574	7,947	–	635,596
Accumulated depreciation and impairment	(155,601)	(26,328)	(34,247)	(5,207)	(4,303)	–	(225,686)
Net book amount	375,117	14,005	12,777	4,367	3,644	–	409,910

Depreciation expense of HK$2,329,000 (2017: HK$5,214,000) was charged to cost of sales and HK$15,089,000 (2017: HK$27,378,000) was charged to administrative expenses, respectively.

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

The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction-in-progress and buildings, which is included in property, plant and equipment, amounted to HK$13,083,000 (2017: HK$14,054,000).

7. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Buildings with carrying value amounted to HK$255,894,000 (2017: HK$265,774,000) have been pledged to a bank to secure the Group's bank borrowings.

8. PREPAID LAND LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
At 1 January	4,105	–
Transfer from assets classified as held-for-sale	–	4,575
Transfer to investment properties	–	(238)
Amortisation	(138)	(232)
Exchange realignment	872	–
At 31 December	4,839	4,105

9. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At fair value		
At 1 January	2,447,232	1,590,524
Acquisition of subsidiaries (Note 47(a))	339,869	520,026
Additions	–	64,997
Transfer from property, plant and equipment	–	985
Transfer from prepaid land lease payments	–	238
Capitalised subsequent expenditure	182,456	29,396
Fair value gain on investment properties	255,733	123,409
Revaluation reserve arising from reclassification from property, plant and equipment	–	8,401
Exchange realignment	(142,506)	109,256
At 31 December	3,082,784	2,447,232

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

Investment properties with carrying value amounted to HK$1,264,920,000 (2017: HK$711,826,000) have been pledged to banks to secure the Group's bank borrowings.

9. INVESTMENT PROPERTIES *(Continued)*

During the year, the Group has capitalised borrowing costs amounting to HK$5,337,000 (2017: Nil) on investment properties under construction in the PRC.

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

	2018 HK$'000	2017 HK$'000
Rental income	**40,547**	22,722
Direct operating expenses from properties that generated rental income	**15,402**	7,353
Direct operating expenses from properties that did not generate rental income	**3,607**	5,969

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements at 31 December 2018		
Description	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurements			
Investment properties:			
— Office, workshop, dormitory, shop, car parks, hotel and shopping arcade			
— the PRC	**–**	**2,871,984**	**2,871,984**
— Office and residential properties			
— Hong Kong	**66,700**	**144,100**	**210,800**
	66,700	**3,016,084**	**3,082,784**

9. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

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

During the year ended 31 December 2018, there were no transfers into or out of Level 3 or any other level (2017: investment properties of HK$126,200,000 was transfered from level 2 to level 3).

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

9. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

A reconciliation of the opening and closing fair value balance is provided below:

	2018 HK$'000	2017 HK$'000
Opening balance	2,381,632	1,494,002
Acquisition of subsidiaries (Note 47(a))	339,869	520,026
Transfer from Level 2	–	126,200
Transfer from property, plant and equipment	–	985
Transfer from prepaid land lease payments	–	238
Capitalised subsequent expenditure	182,456	29,396
Fair value gain on investment properties	254,633	93,128
Revaluation reserve arising from reclassification from property, plant and equipment	–	8,401
Exchange realignment	(142,506)	109,256
Closing balance	3,016,084	2,381,632

(ii) Valuation techniques and inputs

Valuation processes of the Group

Independent valuations of the Group's investment properties located in the PRC were performed by the external valuer, D&P China (HK) Limited ("D&P"), a division of Duff & Phelps, to determine the fair value of the investment properties as at 31 December 2018 and 2017.

For the investment properties located in Hong Kong, the valuations at 31 December 2018 and 2017 were performed by the external valuer, APAC Asset Valuation and Consulting Limited.

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

9. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation processes of the Group (Continued)

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and external valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2018 and 2017, the fair values of the properties were determined by external valuers.

At each financial year end, the finance department:

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

Valuation techniques

Properties in Shenzhen, the PRC

As at 31 December 2018 and 2017, the valuations were determined using income approach (term and reversionary method) based on the following significant unobservable inputs:

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

9. INVESTMENT PROPERTIES *(Continued)*

Valuation techniques *(Continued)*

Properties under construction in Shenzhen, the PRC

As at 31 December 2018, for the valuations of properties under construction in Shenzhen, the fair values were determined using combination of market approach and depreciated replacement method. There were changes to the valuation techniques during the year from residual approach to combination of market approach and depreciated replacement method because the directors, with the assistance of the independent property valuer appointed by the Group, consider that the current valuation approach adopted is more appropriate under the properties status as at 31 December 2018. The valuation is based on the following significant unobservable inputs:

Accommodation value	Accommodation value represents the unit rate where the transaction price is divided by permitted plot ratio gross floor area.
Incurred construction costs	Incurred construction costs represented the accumulated construction cost incurred as of date of valuation.

As at 31 December 2017, the valuations of properties under construction in Shenzhen were determined using residual approach and based on the following significant unobservable input:

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

Properties under construction in Ganzhou, the PRC

As at 31 December 2018 and 2017, for the valuations of properties under construction in Ganzhou, the fair values were determined using combination of market approach and residual approach and based on the following significant unobservable input:

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

9. INVESTMENT PROPERTIES *(Continued)*

Valuation techniques *(Continued)*

Properties in Hong Kong

As at 31 December 2018 and 2017, the Group engaged external valuer to perform the valuation using direct comparison approach. While the valuations of certain properties located in Hong Kong had taken into consideration of existing tenancies, the fair value measurement of such properties was classified as Level 3 with the following significant unobservable input:

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

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

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

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties included in Level 3 in the fair value hierarchy:

Description	Fair value at 31 December		Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted averaged)		Relationship of unobservable inputs to fair value
	2018 HK$'000	2017 HK$'000			**2018**	2017	
Properties in Shenzhen, the PRC	**1,104,550**	541,858	Income approach (term and reversionary method)	Vacancy rates	**3%-15%**	5%	The higher the vacancy rates, the lower the fair value
				Revisionary yield	**6%**	6%	The higher the reversionary yield, the lower the fair value
				Current market rent rates	**RMB34 – 60 per square meter per month**	RMB60 per square meter per month	The higher the current market rent rates, the higher the fair value

9. INVESTMENT PROPERTIES *(Continued)*

Valuation techniques *(Continued)*

Description	Fair value at 31 December		Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted averaged)		Relationship of unobservable inputs to fair value
	2018 HK$'000	2017 HK$'000			2018	2017	
Properties under construction in Shenzhen, the PRC	-	1,193,548	Residual approach	Estimated construction costs	-	RMB2,300 – 3,600 per square meter	The higher the estimated construction costs, the lower the fair value
	713,314	-	Combination of market approach and depreciated replacement method	Accommodation value	RMB2,320 per square meter	-	The higher the accommodation value, the higher the fair value
				Incurred construction costs	RMB269 per square meter	-	The higher the incurred construction costs, the higher the fair value
Properties under construction in Ganzhou, the PRC	1,054,120	520,026	Combination of market approach and residual approach	Estimated construction costs	RMB5,234 – 6,646 per square meter	RMB7,200 per square meter	The higher the estimated construction costs, the lower the fair value
Properties in Hong Kong	144,100	126,200	Direct comparison approach	Revisionary yield	2.4%	2.8%	The higher the reversionary yield, the lower the fair value

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

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

10. INTANGIBLE ASSETS

	Goodwill HK$'000	Trademark and patents HK$'000	Contractual customers relationships HK$'000	License HK$'000	Other intangible assets HK$'000	Total HK$'000
For the year ended 31 December 2017						
Opening net book amount	148,958	1,842	37,521	10,997	3,341	202,659
Amortisation	–	(273)	(6,264)	–	(452)	(6,989)
Disposal of a subsidiary	(1,000)	–	–	–	–	(1,000)
Closing net book amount	147,958	1,569	31,257	10,997	2,889	194,670
At 31 December 2017						
Cost	151,358	5,685	55,710	10,997	4,440	228,190
Accumulated amortisation and impairment	(3,400)	(4,116)	(24,453)	–	(1,551)	(33,520)
Net book amount	147,958	1,569	31,257	10,997	2,889	194,670
For the year ended 31 December 2018						
Opening net book amount	**147,958**	**1,569**	**31,257**	**10,997**	**2,889**	**194,670**
Additions	**–**	**1,760**	**–**	**–**	**–**	**1,760**
Amortisation	**–**	**(270)**	**(6,340)**	**–**	**(707)**	**(7,317)**
Exchange realignment	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Closing net book amount	**147,958**	**3,033**	**24,917**	**10,997**	**2,182**	**189,087**
At 31 December 2018						
Cost	**147,958**	**7,175**	**55,710**	**10,997**	**4,440**	**226,280**
Accumulated amortisation and impairment	**–**	**(4,142)**	**(30,793)**	**–**	**(2,258)**	**(37,193)**
Net book amount	**147,958**	**3,033**	**24,917**	**10,997**	**2,182**	**189,087**

10. INTANGIBLE ASSETS *(Continued)*

During the year ended 31 December 2018, amortisation expense of HK$7,317,000 (2017: HK$6,989,000) is charged to the consolidated statement of comprehensive income. During the year ended 31 December 2017, goodwill under Manufacturing segment of HK$1,000,000 derecognised through disposal of a subsidiary.

Impairment test for goodwill

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

As of 31 December 2018, the carrying amounts of goodwill allocated to the Automation and Financial Services segments amounted to HK$43,722,000 (2017: HK$43,722,000) and HK$104,236,000 (2017: HK$104,236,000) respectively.

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

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

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

	Automation	Financial Services
For the year ended 31 December 2018		
Growth rate	**5%**	**5%**
Discount rate	**10%**	**10%**
For the year ended 31 December 2017		
Growth rate	5%	20%
Discount rate	10%	9%

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

11. PRINCIPAL SUBSIDIARIES

Details of principal subsidiaries of the Company are as follows:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Directly held:					
Great Sphere Developments Limited	3 July 2012	The British Virgin Islands (The "BVI"), limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Success Charm Holdings Limited	11 May 2009	The BVI, limited liability company	27,774,264 ordinary shares of US$1 each	100%	Investment holding
Indirectly held:					
ACE Grand Limited	3 October 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Property investment
Affluent Advantage Limited	28 June 2018	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
B&K Rechargeable Battery Holding (HK) Limited	17 January 2011	Hong Kong, limited liability company	10,000 ordinary shares, HK$10,000	75.5%	Inactive
Bao Da Financial International Limited	6 August 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Xin Health Industry Limited	8 July 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Xin International Asset Management Limited	3 July 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Bao Yao International Technology Limited	6 August 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Baoneng Cultural Tourism Limited	24 November 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Brilliant Victory Holdings Limited	23 November 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Charming Lion Limited	6 May 2009	The BVI, limited liability company	2 ordinary shares of US$1 each	100%	Investment holding
China Goldjoy Asset Management Limited	30 March 2012	Hong Kong, limited liability company	14,000,000 ordinary shares, HK$14,000,000	57.6%	Providing asset management services
China Goldjoy Bullion Limited	4 June 2013	Hong Kong, limited liability company	20,000,000 ordinary shares, HK$20,000,000	57.6%	Providing bullion trading services
China Goldjoy Credit Limited	24 October 2014	Hong Kong, limited liability company	353,333,330 ordinary shares, HK$353,333,330	80%	Providing money lending services
China Goldjoy Investment Limited	13 Mach 2014	Hong Kong, limited liability company	4,000,000 ordinary shares, HK$4,000,000	57.6%	Investment holding
China Goldjoy Securities Limited	30 October 1998	Hong Kong, limited liability company	327,500,000 ordinary shares, HK$327,890,000	57.6%	Providing securities brokerage services
China Goldjoy Services Limited	28 October 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	57.6%	Providing back office support to the Group
China Goldjoy Wealth Management Limited	30 March 2012	Hong Kong, limited liability company	600,000 ordinary shares, HK$600,000	57.6%	Providing insurance services
China Huatong Capital Limited	27 August 2018	Hong Kong, limited liability company	15,000,000 ordinary shares of HK$1 each	57.6%	Inactive

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Cyber Communications Company Limited	24 February 2011	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Cyber Energy Limited	18 December 2009	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Cyber Lighting Technology Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Cyber Vision Technology Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Ever Firm Limited	6 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Fast Prestige Limited	16 April 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
FingerQ Secure Network Limited	19 February 2013	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Trading of software
FingerQ Technology Limited	30 May 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Gain Glory Holdings Limited	28 September 2012	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
Gallant Tech Limited	10 May 2007	Hong Kong, limited liability company	5,000,000 ordinary shares, HK$5,000,000	100%	Trading of machines and spare parts and investment holding
Giant Leap International Limited	27 September 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Gigantic Increase Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
Golden Affluent Limited	21 November 2017	The BVI, limited liability company	1 ordinary share of US$1 each	72%	Investment holding
Goldjoy Holding Limited	14 October 2015	The Cayman Islands, limited liability	27,500 ordinary shares of US$1 each	100%	Investment holding
Grand Sheen Group Limited	18 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Handmoon Investments Limited	31 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
Harvest Joy Investments Limited	26 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
鶴山市世逸電子科技有限公司 (He Shan World Fair Electronics Technology Ltd.)*	18 November 2004	The PRC, limited liability company	Registered US$57,250,000, paid up US$57,250,000	100%	Manufacturing of printed circuit board touch pad
Hong Kong Bao Da Financial Holdings Limited	18 August 2015	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Hong Kong Bao Xin Asset Management Limited	23 April 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Hong Kong Bao Xin Health Industry Limited	18 July 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Hong Kong Bao Yao Techology Limited	20 August 2015	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding
Jumbo Wisdom Investments Limited	12 May 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
萊華泰盛有限公司 (Laihua TaiSheng Limited)*	8 June 2011	The PRC, limited liability company	Registered RMB1,650,000,000, paid up RMB1,650,000,000	100%	Property development
萊華泰豐有限公司 (Laihua TaiFeng Limited)*	10 January 2012	The PRC, limited liability company	Registered RMB600,000,000, paid up RMB600,000,000	100%	Property development
霖動企業管理諮詢(上海)有限公司 (Lin Dong Corporate Management Consulting (Shanghai) Co., Limited)*	21 August 2017	The PRC, limited liability company	Registered RMB2,000,000, paid up RMB2,000,000	57.6%	Consultation on corporate management
Majestic Fortune Limited	11 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Metro Grow Limited	3 November 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
Novel Forward Limited	17 May 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
Proficient Power Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
Prominent Up Limited	18 March 2016	The BVI, limited liability company	10 ordinary shares of US$1 each	57.6%	Investment holding
Rich Inward Limited	16 December 2015	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
上海創光電子有限公司 (Shanghai Chuangguang Electronics Co., Limited)*	7 April 2017	The PRC, limited liability company	Registered RMB5,000,000, paid up RMB5,000,000	100%	Trading of machines and spare parts
上海雄愉投資管理有限公司 (Shanghai Hunlicar Investment Management Co., Ltd.)*	4 May 2014	The PRC, limited liability company	Registered RMB50,000,000, paid up RMB50,000,000	57.6%	Investment Management
深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Limited)*	4 November 1999	The PRC, limited liability company	Registered RMB720,000,000, paid up RMB720,000,000	75.5%	Property investment
深圳邦凱商置有限公司 (Shenzhen Bangkai Commercial Property Co., Ltd.)*	26 February 2014	The PRC, limited liability company	Registered RMB30,000,000, paid up RMB1,000,000	75.5%	Property investment

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
深圳寶達金融服務有限公司 (Shenzhen Bao Da Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB800,000,000, paid up RMB360,936,600	100%	Investment holding
深圳寶信金融服務有限公司 (Shenzhen Bao Xin Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB500,000,000, paid up RMB305,428,000	100%	Inactive
深圳寶開實業有限公司 (Shenzhen Bao Kai Assets Holdings Limited)*	26 October 2016	The PRC, limited liability company	Registered RMB226,181,800, paid up RMB226,181,800	100%	Investment holding
深圳寶耀建設工程有限公司 (Shenzhen Bao Yao Construction Engineering Co., Limited)*	21 March 2016	The PRC, limited liability company	Registered RMB10,000,000, paid up RMB10,000,000	70%	Construction, lighting engineering design and import and export
深圳寶耀科技有限公司 (Shenzhen Bao Yao Technology Co., Ltd.)*	21 October 2015	The PRC, limited liability company	Registered RMB100,000,000, paid up RMB100,000,000	70%	Manufacturing and trading of lighting products
深圳寶開投資控股有限公司 (Shenzhen Baokai Investment Holdings Ltd.)*	11 April 2016	The PRC, limited liability company	Registered RMB1,800,000,000, paid up RMB530,035,800	100%	Investment holding

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
深圳寶新健康產業有限公司 (Shenzhen Baoxin Health Industrial Co., Ltd.)*	16 August 2016	The PRC, limited liability company	Registered HK$200,000,000, paid up HK$200,000,000	100%	Providing corporate management consulting and conducting research and development in health products
深圳佳力融資租賃有限公司 (Shenzhen Gallant Financial Leasing Co., Ltd.)*	8 November 2016	The PRC, limited liability company	Registered HK$500,000,000, paid up HK$116,000,000	100%	Finance leasing
深圳市佳力興業電子科技有限公司 (Shenzhen Gallant Tech Co., Ltd.)*	23 June 2006	The PRC, limited liability company	Registered RMB260,000,000, paid up RMB1,500,000	100%	Trading of machines and spare parts
深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Energysaving Technology Co., Limited)*	16 November 2015	The PRC, limited liability company	Registered RMB380,000,000, paid up RMB380,000,000	100%	Investment holding
深圳前海寶新股權投資基金管理有限公司 (Shenzhen Qianhai Bao Xin Equity Investment Fund Management Co., Ltd.)*	1 April 2017	The PRC, limited liability company	Registered RMB50,000,000, paid up RMB50,000,000	57.6%	Investment management

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
深圳前海宏基金業有限公司 (Shenzhen Qianhai KB Bullion Limited)*	23 April 2015	The PRC, limited liability company	Registered RMB10,000,000, paid up RMB10,000,000	57.6%	Providing bullion trading services
Silkray Limited	11 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Smart Riches Limited	13 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Soaring Elite Investments Limited	16 May 2017	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Stellar Result Limited	1 April 2016	The BVI, limited liability company	1 ordinary share of US$1 each	80%	Investment holding
Surplus Creation Investments Limited	3 January 2013	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Ultra Glory Investments Limited	17 May 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
Up Castle Limited	9 July 2009	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Trading of electronic products
World Design Technology Limited	4 November 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Investment holding
World Fair International Limited	27 December 1996	Hong Kong, limited liability company	10,000 ordinary share, HK$10,000	100%	Trading of electronic products

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid up share capital/registered	Effective interest held by the Group	Principal activities
Indirectly held: (continued)					
China Goldjoy SPC Fund	20 January 2017	The Cayman Islands, limited liability company	HK$1,000,000	100%	SPC Investment in shares
雄愉全天候CTA1號私募投資基金 (Hunlicar All Weather CTA No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB18,219,957	95%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉股債互換策略1號私募投資基金 (Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB3,782,500	60%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉股票精選1號私募投資基金 (Hunlicar Equity Choice No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB16,967,500	93%	Investment in A-Share, Southbound Trading and futures in the PRC
雄愉量化對沖1號私募投資基金 (Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund)*	24 May 2017	The PRC, limited liability	RMB6,395,200	88%	Investment in A-Share, Southbound Trading and futures in the PRC

* *For identification purpose only*

11. PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Material non-controlling interests

The total non-controlling interest as at 31 December 2018 is HK$662,287,000 (2017: HK$523,466,000), of which HK$305,593,000 (2017: HK$174,242,000) is attributed to Goldjoy Holding Limited and its subsidiaries ("Goldjoy Holding Group"), HK$329,516,000 (2017: HK$330,578,000) is attributed to 深圳鴻勝節能科技有限公司 (Shenzhen Hongsheng Energy-saving Technology Co., Ltd.*) and its subsidiaries ("Hongsheng Group"), and HK$23,717,000 (2017: Nil) is attributed to Shenzhen Bao Yao Technology Co., Ltd. and its subsidiary ("Bao Yao Group").

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised consolidated statement of financial position

	Bao Yao Group		Goldjoy Holding Group		Hongsheng Group	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Current						
Assets	**86,864**	–	**1,532,871**	1,451,167	**97,141**	9,516
Liabilities	**(32,335)**	–	**(647,680)**	(626,594)	**(481,110)**	(337,328)
Net current assets/ (liabilities)	**54,529**	–	**885,191**	824,573	**(383,969)**	(327,812)
Non-current						
Assets	**24,530**	–	**45,544**	50,290	**1,974,363**	1,911,230
Liabilities	**–**	–	**(6,339)**	(7,450)	**(160,864)**	(178,114)
Net non-current assets	**24,530**	–	**39,205**	42,840	**1,813,499**	1,733,116
Net assets	**79,059**	–	**924,396**	867,413	**1,429,530**	1,405,304

* *For identification purpose only*

11 PRINCIPAL SUBSIDIARIES *(Continued)*

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

Summarised consolidated statement of comprehensive income

	Bao Yao Group		Goldjoy Holding Group		Hongsheng Group	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Revenue	**97,684**	–	**185,850**	148,098	**40,289**	28,808
(Loss)/profit before income tax	**(33,052)**	–	**33,313**	36,443	**64,445**	135,962
Income tax credit/ (expense)	**503**	–	**(9,642)**	(5,668)	**(15,045)**	(34,434)
(Loss)/profit after income tax	**(32,549)**	–	**23,671**	30,775	**49,400**	101,528
Total comprehensive income	**(33,508)**	–	**23,671**	30,775	**(4,328)**	193,732
Total comprehensive income allocated to NCI	**(7,768)**	–	**2,560**	6,392	**(1,060)**	47,464

Summarised consolidated statement of cash flows

	Bao Yao Group		Goldjoy Holding Group		Hongsheng Group	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Cash flows from operating activities	**27,577**	–	**(66,989)**	186,788	**(440,038)**	61,438
Cash flows from investing activities	**(4,154)**	–	**(37,873)**	(7,127)	**(62,000)**	(51,386)
Cash flows from financing activities	**(13,144)**	–	**131,969**	(199,359)	**499,857**	(11,850)
Net cash inflows/(outflows)	**10,279**	–	**27,107**	(19,698)	**(2,181)**	(1,798)

11. PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Transactions with non-controlling interests

(i) On 29 June 2018, the Group disposed 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. The Group recorded an increase in non-controlling interest of approximately HK$129,449,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$38,751,000 was credited to other reserves.

(ii) On 31 August 2018, the Group disposed 30% of the issued shares of Shenzhen Bao Yao Technology Co., Ltd., an indirectly wholly owned subsidiary of the Company which is principally engaged in new energy business, for a consideration of RMB30,000,000 (equivalent to approximately HK$34,332,000). The disposal is accounted as an equity transaction with non-controlling interest because the changes in the Group's ownership interest in Bao Yao Group do not result in a change in control over Bao Yao Group. The Group recorded an increase in non-controlling interest of approximately HK$31,486,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$2,847,000 was credited to other reserves.

(iii) The Group has control on several private equity investment funds, namely Hunlicar All Weather CTA No.1 Private Equity Investment Fund, Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund, Hunlicar Equity Choice No.1 Private Equity Investment Fund and Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund as at 31 December 2017. During the year ended 31 December 2018, the change in the Group's interests in the funds are accounted as an equity transactions with non-controlling interest because the changes in the Group's ownership interests do not result in a change in control over these investment funds during the year. Any gain or loss is recognised in equity. The disposal of equity interests by the holders of the non-controlling interests resulted in a decrease in non-controlling interest of approximately HK$12,359,000 and credited to other reserves of approximately HK$5,773,000.

12. INVESTMENTS IN ASSOCIATES

	Notes	2018 HK$'000	2017 HK$'000
At 1 January		–	82,207
Contribution to a newly incorporated associate	(a)	450,000	–
Acquisition of an associate	(b)	411,895	–
Transfer from financial assets at FVOCI	(b)	6,358	–
Transfer from financial assets at FVTPL	(b)	6,761	–
Dividend received		–	(9,339)
Gain on bargain purchase from acquisition of an associate	(b),(d)	344,877	–
Disposal of an associate	(c),(d)	–	(64,196)
Disposal of partial interest of an associate	(a)	(50,000)	–
Share of results of associates	(d)	15,089	(3,460)
Share of other comprehensive income of associates		(30,422)	–
Provision for impairment of investment in an associate	(d)	–	(5,212)
At 31 December		1,154,558	–

Notes:

(a) In February 2018, the Group invested in Yunnan International Holding Group Limited and its subsidiaries ("Yunnan Group") in a paid up capital contribution of HK$450,000,000 to acquire approximately 36% of the equity interest in Yunnan Group. Further on 31 October 2018, the Group disposed 4% equity interests in Yunnan Group to an independent third party at cash consideration of HK$51,285,000. As at 31 December 2018, cash consideration of HK$20,000,000 was received and the remainder of HK$31,285,000 was included in other receivables and expected to be received within one year based on the term of the share transfer agreement. Upon the partial disposal, the Group held 32% equity interest as at 31 December 2018.

(b) On 28 November 2018, the Group acquired 28.18% of equity interests in New Sports Group Limited at cash consideration of approximately HK$411,895,000. The Group recognised a gain on bargain purchase of HK$344,877,000 during the year ended 31 December 2018. As at 31 December 2018, the Group holds 29.19% equity interests in New Sports Group Limited.

As at 31 December 2017, the Group held 1.01% equity interests in New Sports Group Limited and accounted for as available-for-sale financial assets measured at fair value and financial assets at FVTPL.

12. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The financial effect arising from the acquisition of New Sports Group Limited was summarised as follows:

	As at 28 November 2018 HK$'000
Consideration in cash	411,895
1.01% interests held by the Group in FVOCI and FVTPL prior to the acquisition	13,119
Total consideration	425,014
Total identifiable net assets attributable to owners of the associate	2,637,518
Group's share of net assets of the associate	769,891
Gain on bargain purchase	(344,877)

(c) On 1 April 2016, the Group acquired 33.21% of equity interest in 湛江集付通金融服務股份有限公司 (for identification only, Zhanjiang Jifutor Financial Services Joint Stock Company Limited, "Zhanjiang JFT"). Subsequently on 22 November 2016, the Group's equity interest in Zhanjiang JFT was diluted to 22.62% as a result of capital injection from other shareholders resulting in a gain on deemed disposal of partial interest of HK$4,055,000. On 29 June 2017, the Group disposed of all equity interest in this associate at a consideration of HK$89,170,000. The carrying amount of interest in Zhanjiang JFT on the date of disposal was HK$64,196,000. The Group recognised a gain on disposal of HK$24,974,000 during the year ended 31 December 2017.

(d) The financial effects of the Group's associates recognised in the profit or loss are summarised below.

	2018 HK$'000	2017 HK$'000
Gain on bargain purchase from acquisition of an associate	344,877	–
Share of results of associates	15,089	(3,460)
	359,966	(3,460)
Provision for impairment of investment in an associate	–	(5,212)
Gain on disposal of an associate	–	24,974
	359,966	16,302

12. INVESTMENTS IN ASSOCIATES *(Continued)*

Set out below are the associates of the Group as at 31 December 2018 and 2017. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name	Country of incorporation	Place of business	Ownership interest 2018	Ownership interest 2017	Principal activities
Advanced Radio Device Technologies, Inc. ("ARDT")	Korea	Korea	**43%**	43%	Research and development, manufacturing, sales and marketing of semiconductors for communication and related equipment
Tekmar, Inc.	USA	USA	**37.76%**	37.76%	Research and development, manufacturing and sales of carrier grade wireless telecommunication systems and components
Yunnan Group	Hong Kong	Hong Kong	**32%**	N/A	Investment holdings and trading
New Sports Group Limited	Cayman Islands	The PRC	**29.19%**	1.01% (Note 12(b))	Property development and investment, trading of commodities, of cultural sports operation of a yacht club, provision of training services and provision of online game service and platform service

ARDT, Tekmar, Inc. and Yunnan Group are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associates.

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

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

12. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for the associates material to the Group

The following table illustrates the summarised financial information of material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

Yunnan Group	**2018 HK$'000**
As at 31 December	
Current	
Current assets	1,080,503
Current liabilities	(789,809)
Non-current	
Non-current assets	866,300
Non-current liabilities	–
Net assets	1,156,994
Group's share of net assets of the associate for the year	370,238
Period ended from date of incorporation to 31 December	
Revenue for the period	1,071,657
Profit for the period	49,550
Other comprehensive income for the period	(142,555)
Total comprehensive income for the period	(93,005)
Group's share of total comprehensive income of associate for the period from date of incorporation to 31 December	(29,762)

12. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for the associates material to the Group *(Continued)*

New Sports Group Limited and its subsidiaries ("NSG Group")	**2018** **HK$'000**
As at 31 December	
Current	
Current assets	8,536,977
Current liabilities	(7,316,066)
Non-current	
Non-current assets	4,145,410
Non-current liabilities	(1,386,395)
Net assets	3,979,926
Period ended from the date of acquisition to 31 December	
Revenue for the period	18,498
Profit for the period	17,749
Other comprehensive income for the period	53,925
Total comprehensive income for the period	71,674
Less: total comprehensive income attributable to the non-controlling interest of the associate	(22,242)
Total comprehensive income for the period attributable to owners of the associate	49,432
Group's share of total comprehensive income of associate for the period from date of acquisition to 31 December	14,429
Gain on bargain purchase from the acquisition of an associate	344,877
Total attributable to the Group	359,306

	2018 **HK$'000**
Net assets	3,979,926
Less: Non-controlling interests of NSG Group	(1,292,976)
	2,686,950
Proportion of the Group's ownership interest in NSG Group	29.19%
The Group's share of net assets of NSG Group	784,320

13(a). AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
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 2.1A).

13(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments designated at FVOCI	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000	At 31 December 2017 HK$'000
Listed shares:			
— Equity securities — Norway	37,649	84,364	–
— Equity securities — the USA	5,628	1,221	–
— Equity securities — Hong Kong	340,177	1,621,198	–
— Equity securities — the PRC	415,555	155,433	–
	799,009	1,862,216	–
Unlisted shares	104,848	82,413	–
	903,857	1,944,629	–

13(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

As at 31 December 2018, unlisted securities which quoted market price is not available with aggregated carrying amount of HK$104,848,000 are measured at fair value determined by using backsolve method 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 FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

14. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**6,155**	5,885
Work in progress	**2,235**	11,568
Finished goods	**33,691**	38,059
	42,081	55,512

Cost of inventories of HK$511,957,000 (2017: HK$635,971,000) (Note 32) has been included in cost of sales.

15. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Within normal operating cycle included under current assets	**863,272**	524,212
The balance comprises:		
— Land cost	**209,756**	131,128
— Construction cost	**601,140**	351,222
— Capitalised interests	**52,376**	41,862
	863,272	524,212

The properties under development are all located in the PRC.

	2018 HK$'000	2017 HK$'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**583,980**	230,114
Expected to be completed and available for sale within 12 months	**279,292**	294,098
	863,272	524,212

16. COMPLETED PROPERTIES HELD FOR SALE

	2018 HK$'000	2017 HK$'000
Completed properties held for sale	**353,118**	698,267

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

17. LOANS AND ADVANCES

	2018 HK$'000	2017 HK$'000
Loans and advances (Note (a))	**437,780**	475,657
Margin loans receivables (Note (b))	**554,976**	417,247
	992,756	892,904
Less: Provision for impairment	**(32,362)**	–
Loans and advances — net	**960,394**	892,904

Notes:

(a) The loans and advances of approximately HK$409,761,000 (2017: approximately HK$443,123,000) 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 borrowers. Collateral values and overdue balances are reviewed and monitored regularly.

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

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

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

As at 31 December 2018, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of HK$3,315,160,000 (2017: HK$2,121,683,000).

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

(c) Movements on the provision for impairment of loans and advances are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**–**	–
Effect of adoption of HKFRS 9	**3,295**	–
At 1 January (restated)	**3,295**	–
Provision for impairment	**29,067**	–
At 31 December	**32,362**	–

18. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**166,419**	367,481
Less: Provision for impairment	**(12,002)**	(3,017)
Trade receivables — net	**154,417**	364,464
Less: non-current portion	**–**	(8,341)
Current portion	**154,417**	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 days to 90 days to its customers. For customers of Automation, 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 to 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 of 0 to 30 days. The ageing analysis of trade receivables based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**82,218**	280,702
31 to 60 days	**15,614**	32,983
61 to 90 days	**26,571**	10,390
91 to 120 days	**27,275**	8,699
Over 120 days	**14,741**	34,707
	166,419	367,481

As at 31 December 2018, trade receivables of HK$78,417,000 (2017: HK$67,293,000) were past due but not impaired. The ageing analysis of these debtors based on due date is as follows:

18. TRADE RECEIVABLES *(Continued)*

	2018 HK$'000	2017 HK$'000
1 to 30 days	**19,289**	24,724
31 to 60 days	**10,479**	17,038
61 to 90 days	**8,980**	3,184
91 to 120 days	**11,048**	3,671
Over 120 days	**28,621**	18,676
	78,417	67,293

Trade receivables are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
US dollar	**46,889**	60,954
Hong Kong dollar	**30,425**	92,827
RMB	**68,268**	197,893
Euro ("EUR")	**2,941**	1,816
Japanese Yen ("JPY")	**17,896**	13,991
	166,419	367,481

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

	2018 HK$'000	2017 HK$'000
At 1 January	**3,017**	2,501
Effect of adoption of HKFRS 9	**4,599**	–
At 1 January (restated)	**7,616**	2,501
Provision for impairment	**4,522**	516
Disposal of a subsidiary	**(136)**	–
At 31 December	**12,002**	3,017

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

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000 (Note)	At 31 December 2017 HK$'000
Contract assets arising from:			
Sale of goods	37,411	102,861	–
Impairment	(187)	(514)	–
	37,224	102,347	–

Note: The Group had initially applied HKFRS 15 using cumulative effect method and adjusted the opening balance at 1 January 2018 (Note 2.1B).

Typical payment terms which impact on the amount of contract assets are as follows:

Contract assets are initially recognised for revenue earned from the sale of goods as the receipt of consideration is conditional on successful completion of product certification by the technicians. Upon completion of the product certification and issuance of the invoices, the amounts recognised as contract assets are reclassified to trade receivables. The decrease in contract asset as at 31 December 2018 was the result of the decrease in related revenue.

During the year ended 31 December 2018, HK$327,000 was recognised as reversal of allowance for impairment losses on contract assets.

The Group's credit terms and credit policy with customers are disclosed in note 18 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets is as follows:

	2018 HK$'000
Within one year	37,224

19. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract assets *(Continued)*

The movements in the impairment allowance for contract assets are as follows:

	2018 HK$'000
At 1 January	–
Effect of adoption of HKFRS 9	514
At 1 January (restated)	514
Reversal of impairment losses	(327)
At 31 December	187

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

At 31 December 2018

	%
Expected credit loss rate	0.5

19. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	At 31 December 2018 HK$'000	At 1 January 2018 HK$'000 (Note)	At 31 December 2017 HK$'000
Advances received from customers arising from:			
Sales of goods	56,994	8,455	–
Sales of properties	233,594	131,727	–
Licensing and other service income	850	2,255	–
	291,438	142,437	–

Note: The Group had initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018 (Note 2.1B).

Movements in contract liabilities

	2018 HK$'000
Balance as at 1 January	142,437
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(100,781)
Increase in contract liabilities as a result of billing in advance of sales of goods and properties	249,782
Balance as at 31 December	291,438

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

20. FINANCE LEASE RECEIVABLES

The Group leases machineries to its customers. These leases are classified as finance leases and have remaining lease terms of 2 years to 4 years (2017: 5 years). The customers shall purchase or have an option to purchase the leased machineries at the end of lease terms of the finance lease.

	2018 HK$'000	2017 HK$'000
Finance lease receivables, non-current portion	91,394	104,382
Finance lease receivables, current portion	44,244	19,789
	135,638	124,171

At 31 December 2018, the total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		Present value of minimum lease receivables	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Amounts receivable:				
Within one year	59,992	36,454	55,829	33,814
In the second to fifth years, inclusive	109,809	136,702	79,809	90,357
Total minimum finance lease receivables	169,801	173,156	135,638	124,171
Unearned finance income	(34,163)	(48,985)		
Total net finance lease receivables	135,638	124,171		
Portion classified as current assets	(44,244)	(19,789)		
Non-current portion	91,394	104,382		

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Utility and other deposits	**82,219**	121,999
Value-added tax recoverable	**8,200**	4,144
Consultancy fee income receivable	**20,658**	27,635
Prepayment for property development	**48,461**	83,748
Prepayment for inventories	**8,696**	11,004
Bond interest receivable	**427**	3,945
Receivable from partial disposal of a subsidiary	**20,528**	–
Receivable from partial disposal of an associate	**31,285**	–
Others	**11,485**	23,908
	231,959	276,383
Less: Non-current portion	**(24,275)**	–
	207,684	276,383

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

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

22. HELD-TO-MATURITY INVESTMENT

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

22. HELD-TO-MATURITY INVESTMENT *(Continued)*

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

	2018 HK$'000	2017 HK$'000
At 1 January	–	25,000
Additions	–	60,000
Matured	–	(25,000)
At 31 December	–	60,000

The investment was fully redeemed during the year ended 31 December 2018.

Upon adoption of HKFRS 9 on 1 January 2018, the financial instrument category of held-to-maturity investment 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 2.1A).

As at 31 December 2017, held-to-maturity investment is denominated in Hong Kong dollar.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	At 1 January 2018 HK$'000	2017 HK$'000
Listed securities:			
— Equity securities — the PRC	10,698	58,635	58,635
— Equity securities — Hong Kong	827,398	496,077	874,475
	838,096	554,712	933,110
Other securities	551	19,850	19,850
Debt investment at fair value through profit or loss	143,942	–	–
	982,589	574,562	952,960

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

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND CLIENT TRUST BANK BALANCES

	2018 HK$'000	2017 HK$'000
Cash in hand	**140**	103
Cash at banks	**809,697**	2,147,440
Short-term bank deposits with original maturity less than three months	**97,286**	83,826
Cash and cash equivalents	**907,123**	2,231,369
Time deposits with original maturity over three months	**39,350**	–
Restricted cash	**67,893**	46,154
Client trust bank balances	**261,084**	101,031

Cash and cash equivalents, time deposits with original maturity over three months, restricted cash and client trust bank balances are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
RMB	**622,240**	302,462
US dollar	**66,677**	626,316
Hong Kong dollar	**576,502**	1,446,049
Others	**10,031**	3,727
	1,275,450	2,378,554

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

The Group maintains trust and segregated accounts of HK$261,084,000 (2017: HK$101,031,000) with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND CLIENT TRUST BANK BALANCES

(Continued)

In accordance with certain PRC regulations, property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for constructions of properties. At the end of reporting period, the deposits of approximately HK$67,893,000 (2017: HK$46,154,000) can only be used to pay for relevant property development projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. The restriction will be released upon the construction is completed or the real estate ownership certificate of pre-sold properties is issued, whichever is earlier.

25. SHARE CAPITAL

	Number of shares (thousand)	Share capital HK$'000
Authorised:		
Ordinary share of HK$0.10 each		
At beginning of year and end of year	500,000,000	50,000,000
Issued and fully paid:		
At 1 January 2017	22,148,598	2,214,860
Shares issued (Note a)	2,528,732	252,873
Shares issued by exercise of share option	2,000	200
At 31 December 2017 and at 1 January 2018	**24,679,330**	**2,467,933**
Shares issued (Note b)	**1,190,476**	**119,048**
At 31 December 2018	**25,869,806**	**2,586,981**

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

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

Note b: The share placement of the remaining 1,190,476,000 shares was completed on 10 January 2018 when the new shares were issued at a price of HK$0.63 per share for a total cash considerations of HK$750,000,000.

26. RESERVES

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity of the financial statements.

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

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

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

26. RESERVES *(Continued)*

Company

	Share premium HK$'000	Capital reserve HK$'000 (Note)	Share option reserve HK$'000	Other reserves HK$'000	Accumulated deficit HK$'000	Total HK$'000
At 1 January 2017	2,396,032	34,750	370	–	(1,631,569)	799,583
Profit for the year	–	–	–	–	88,288	88,288
Shares issued	1,297,124	–	–	–	–	1,297,124
Exercise of share options	1,010	–	(370)	–	–	640
Dividend paid	–	–	–	–	(70,876)	(70,876)
At 31 December 2017	3,694,166	34,750	–	–	(1,614,157)	2,114,759
At 1 January 2018	**3,694,166**	**34,750**	**–**	**–**	**(1,614,157)**	**2,114,759**
Profit for the year	**–**	**–**	**–**	**–**	**2,523**	**2,523**
Shares issued	**630,952**	**–**	**–**	**–**	**–**	**630,952**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**(45,618)**	**–**	**(45,618)**
Dividend paid	**(131,936)**	**–**	**–**	**–**	**–**	**(131,936)**
At 31 December 2018	**4,193,182**	**34,750**	**–**	**(45,618)**	**(1,611,634)**	**2,570,680**

Note: Capital reserve of the Company arising from the Group reorganisation in 2009 represents the difference between the nominal value of shares issued by the Company pursuant to the reorganisation and the aggregated net assets values of subsidiaries acquired.

27. BORROWINGS

	2018 HK$'000	2017 HK$'000
Non-current		
Corporate bonds	31,847	31,723
Bank loans, secured	–	176,239
	31,847	207,962
Current		
Corporate bonds	145,767	–
Bank loans, secured	667,274	329,856
Margin loan, secured	331,765	–
Bank overdraft	194	–
Loans from related parties (Note 44(c))	479,385	–
Trust receipts loans, secured	30,119	88,047
	1,654,504	417,903
	1,686,351	625,865

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

	Bank borrowings		**Other borrowings**	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Within one year	697,587	417,903	956,917	–
Between one and two years	–	176,239	31,847	–
Between two and five years	–	–	–	31,723
	697,587	594,142	988,764	31,723

As at 31 December 2018, the Company's weighted average interest rate per annum of bank borrowings was 4.16% (2017: 4.01%).

27. BORROWINGS *(Continued)*

As at 31 December 2018 and 2017, bank borrowings are secured by:

— corporate guarantees provided by the Company and certain of its subsidiaries;

— property, plant and equipment of the Group (Note 7);

— investment properties of the Group (Note 9);

— deposits of HK$6,000,000 (2017: Nil); and

— collateral of the Group's margin clients amounted to HK$490,015,000 (2017: HK$184,474,500).

As at 31 December 2018 and 31 December 2017, the Group has not breached any of the covenants of the banking facilities.

As at 31 December 2018, margin loan is secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK$527,841,000 (2017: Nil).

During the year ended 31 December 2018, the Company issued bonds with aggregated amount of HK$143,000,000 to several independent third parties with 5% coupon rates per annum, payable in approximately 1 year from the respective issue dates.

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

Loans from related parties of approximately HK$479,385,000 (2017: Nil), which are denominated in RMB, are unsecured, repayable in one year and bear interests at 5% per annum.

The fair values of the bonds as at 31 December 2018 amounted to approximately HK$177,614,000 (2017: HK$31,723,000). The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of non-current borrowings, are determined by discounting the future cash flows at the current market interest rate available to the Group and are within Level 2 of the fair value hierarchy.

	2018 HK$'000	2017 HK$'000
US dollar	**28,058**	88,047
JPY	**2,061**	–
Hong Kong dollar	**1,007,453**	361,579
RMB	**648,779**	176,239
	1,686,351	625,865

28. DEFERRED TAX

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets to be settled after more than 12 months	–	9,194
Deferred tax liabilities to be settled after more than 12 months	(320,543)	(283,647)

The gross movements on the deferred tax are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	274,453	184,915
Acquisition of subsidiaries (Note 47)	95,997	100,764
Credited to the consolidated statement of comprehensive income (Note 35)	(52,056)	(22,125)
Charged/(credited) to other comprehensive income	9,194	(9,194)
Transferred from assets classified as held-for-sale	–	(1,089)
Transferred from liabilities relating to assets classified as held-for-sale	–	181
Currency translation differences	(7,045)	21,001
At end of year	320,543	274,453

28. DEFERRED TAX *(Continued)*

	Accelerated tax depreciation allowance		Unrealised (profits)/losses in inventories		Fair value gains/ (losses)		Unrealised profits in financial assets at fair value through profit or loss		Intangible assets identified in acquisition		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At 1 January	99	–	–	–	176,323	115,699	90,580	60,654	7,451	8,562	274,453	184,915
Charged/(credited) the consolidated statement of comprehensive income	1,054	(82)	–	1,089	(35,665)	(51,947)	(16,334)	29,926	(1,111)	(1,111)	(52,056)	(22,125)
Charged/(credited) to other comprehensive income	–	–	–	–	9,194	(9,194)	–	–	–	–	9,194	(9,194)
Acquisition of a subsidiary	–	–	–	–	95,997	100,764	–	–	–	–	95,997	100,764
Transferred from assets classified as held-for-sale	–	–	–	(1,089)	–	–	–	–	–	–	–	(1,089)
Transferred from liabilities relating to assets classified as held-for-sale	–	181	–	–	–	–	–	–	–	–	–	181
Currency translation differences	–	–	–	–	(7,045)	21,001	–	–	–	–	(7,045)	21,001
At 31 December	1,153	99	–	–	238,804	176,323	74,246	90,580	6,340	7,451	320,543	274,453

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$17,593,000 (2017: HK$25,753,000) in respect of losses amounting to HK$106,624,000 (2017: HK$129,613,000) that can be carried forward against future taxable income due to uncertainty of availability of future taxable income. Except for tax losses of HK$10,137,000 (2017: HK$51,363,000) that will be expired in 5 years, the remaining tax losses do not have expiry date.

29. TRADE AND BILLS PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**764,447**	724,612
Bills payables	**15,478**	13,017
	779,925	737,629

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

	2018 HK$'000	2017 HK$'000
0 to 30 days	**711,507**	699,289
31 to 60 days	**11,994**	7,290
61 to 90 days	**5,785**	8,946
91 to 120 days	**5,337**	6,641
Over 120 days	**45,302**	15,463
	779,925	737,629

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

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

	2018 HK$'000	2017 HK$'000
RMB	**428,199**	429,006
US dollar	**51,200**	69,442
Hong Kong dollar	**283,170**	225,605
EUR	**1,599**	559
JPY	**15,757**	13,017
	779,925	737,629

30. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Current		
Salary and wages payable	15,745	16,054
Accrued operating expenses	29,658	14,841
Advance receipts from customers	–	142,437
Provision for value-added tax and other taxes in the PRC	74,598	50,303
Commission payables	4,383	493
Payables for acquisition of subsidiaries	–	339,749
Deposits received	50,381	3,372
Payables for construction costs	184,102	534,436
Put option liability in relation to acquisition of subsidiaries	247,146	242,733
Other accruals and other payables	31,499	38,356
	637,512	1,382,774
Non-current		
Liability in relation to guaranteed return	–	77,364
	637,512	1,460,138

The carrying amounts of accruals and other payables approximate their fair values. As at 31 December 2018, approximately 71% (2017: 78%) of the carrying amounts of accruals and other payables are denominated in RMB, the remaining are mainly denominated in Hong Kong dollar.

31. OTHER (LOSSES)/GAINS — NET AND OTHER INCOME

	2018 HK$'000	2017 HK$'000
Other (losses)/gains — net		
Gain on disposal of available-for-sale financial assets	–	809
Gain on disposal of partial interest of an associate	1,285	–
Provision for impairment of available-for-sale financial assets	–	(4,434)
Loss on conversion of a financial asset at fair value through profit or loss from preference shares to ordinary shares	(7,156)	–
(Loss)/gain on disposal of subsidiaries	(6,347)	1,300
Gain on disposal of an associate	–	24,974
Provision for impairment of other receivables	–	(27,160)
Provision on impairment of loans and advances	(25,000)	–
Gain on disposal of property, plant and equipment	1,621	9,074
	(35,597)	4,563
Other income		
Dividend income	20,069	59,950
Consultancy fee income	–	32,239
Sub-licensing income	1,677	6,530
Write back of trade and other payables	3,315	2,342
Others	31,508	14,223
	56,569	115,284

32. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Employee benefit expenses (Note 33)	**164,850**	133,377
Directors' and chief executive's emoluments (Note 49)	**7,213**	6,972
Cost of inventories (Note 14)	**511,957**	635,971
Cost of properties sold	**481,121**	1,282,343
Written-down of inventories to net realisable value*	**7,113**	–
Provision for impairment of trade receivables (Note 18)	**4,522**	516
Provision for impairment of other receivables	**496**	–
Provision for impairment of loans and advance and margin loans(Note 17)	**29,067**	–
Reversal of impairment loss on contract assets (Note 19(a))	**(327)**	–
Auditor's remuneration		
— Audit services	**3,346**	3,548
— Non-audit services	**1,145**	2,988
Depreciation of property, plant and equipment (Note 7)	**17,418**	32,592
Amortisation of intangible assets (Note 10)	**7,317**	6,989
Amortisation of prepaid land lease payments (Note 8)	**138**	232
Operating lease rentals - office premises, factory and warehouse	**18,991**	13,159
Research and development expenses	**3,713**	5,468
Net foreign exchange gains	**(187)**	(4,856)
Gain on bargain purchase from acquisition of a subsidiary (Note 47)	**(44,042)**	(208,012)
Gain on bargain purchase from acquisition of an associate (Note 12)	**(344,877)**	–

* Written-down of inventories to net realisable value for the year of HK$7,113,000 (2017: Nil) was included in "cost of sales" of the consolidation statement of comprehensive income.

33. EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS)

	2018 HK$'000	2017 HK$'000
Wages and salaries	**144,801**	119,853
Other employee benefits	**10,824**	5,300
Pension costs-defined contribution plans and social security costs	**9,225**	8,224
	164,850	133,377

33. EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS) *(Continued)*

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

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

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director (2017: two directors), whose emoluments are reflected in the analysis presented in Note 49. The emoluments payable to the remaining four individuals (2017: three individuals) during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	**12,250**	11,538
Retirement benefit-defined contribution scheme	**72**	54
	12,322	11,592

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Under HK$1,000,000	**–**	–
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**–**	–
HK$2,000,001–HK$2,500,000	**2**	–
HK$2,500,001–HK$3,000,000	**–**	–
HK$3,000,001–HK$3,500,000	**1**	–
HK$3,500,001–HK$4,000,000	**1**	3

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2017: Nil).

34. FINANCE (COSTS)/INCOME — NET

	2018 HK$'000	2017 HK$'000
Finance income:		
— Interest income on bank deposits	8,909	6,678
— Interest income on held-to-maturity investment	178	3,945
— Adjustment on put option liability in relation to acquisition of subsidiaries	–	14,426
— Finance lease income	–	5,486
	9,087	30,535
Finance costs:		
— Bank loans	(65,904)	(18,207)
— Interests on loans from related parties (Note 44(d))	(3,596)	–
— Trust receipt loans	(2,317)	(1,655)
— Corporate bonds	(5,230)	–
— Adjustment on put option liability in relation to acquisition of subsidiaries	(4,413)	–
	(81,460)	(19,862)
Less: Amount capitalised on		
— investment properties under construction	5,337	–
— properties under development	10,936	–
Finance costs charged to consolidated statement of comprehensive income	(65,187)	(19,862)
Finance (costs)/income, net	(56,100)	10,673

35. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax		
— Hong Kong Profits Tax	**22,638**	74,774
— PRC income tax	**134,940**	95,489
— PRC land appreciation tax	**30,105**	16,927
	187,683	187,190
Over provision in prior years	**(1,711)**	(3,553)
	185,972	183,637
Deferred tax (Note 28)	**(52,056)**	(22,125)
	133,916	161,512

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2017: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (2017: 25%). A 5% withholding income tax is also imposed on dividends relating to profits remitted from the subsidiaries in the PRC (2017: 5%).

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of prepaid land lease payments 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.

35. INCOME TAX EXPENSE *(continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**809,512**	1,055,403
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	**147,311**	205,945
Income not subject to tax	**(66,092)**	(73,861)
Expenses not deductible for tax purposes	**11,122**	4,855
Tax effects of associates' results	**(2,490)**	540
Over provision in prior years	**(1,711)**	(3,553)
Utilisation of previously unrecognised tax loss	**(37)**	(848)
Tax loss not recognised	**23,234**	15,738
Provision for land appreciation tax	**30,105**	16,927
Tax effect on land appreciation tax	**(7,526)**	(4,231)
Income tax expense	**133,916**	161,512

36. EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Earnings		
Profit attributable to owners of the Company (HK$'000)	**670,827**	869,170
Weighted average number of ordinary shares in issue (thousands)	**25,810,611**	22,310,220
Basic earnings per share (HK cents)	**2.60**	3.90

36. EARNINGS PER SHARE *(continued)*

(b) Diluted

For the year ended 31 December 2017, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

No share option was outstanding as at 31 December 2018.

	2018	2017
Earnings		
Profit attributable to owners of the Company (HK$'000)	670,827	869,170
Weighted average number of ordinary shares in issue (thousands)	25,810,611	22,310,220
Adjustments for:		
— Share options (thousands)	–	419
Weighted average number of ordinary shares for diluted earnings per share (thousands)	25,810,611	22,310,639
Diluted earnings per share (HK cents)	2.60	3.90

37. DIVIDENDS

	2018 HK$'000	2017 HK$'000
2018 proposed final dividend — HK0.20 cent per share	51,740	–
2017 final dividend paid — HK0.51 cent per share	–	131,936
	51,740	131,936

A final dividend in respect of the financial year ended 31 December 2018 of HK0.20 cent per share (2017: HK0.51 cent per share), amounting to a total dividend of HK$51,740,000 (2017: HK$131,936,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2018 proposed final dividend is based on 25,869,806,100 shares in issue as at 31 December 2018 (2017: 24,679,330,100 shares in issue as at 31 December 2017). These consolidated financial statements do not reflect this dividend payable.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the year to cash generated from operations:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**809,512**	1,055,403
Adjustments for:		
— Interest income	**(9,087)**	(16,109)
— Finance costs (Note 34)	**60,774**	19,862
— Dividend income (Note 31)	**(20,069)**	(59,950)
— Depreciation of property, plant and equipment (Note 7)	**17,418**	32,592
— Amortisation of intangible assets (Note 10)	**7,317**	6,989
— Amortisation of prepaid land lease payments (Note 8)	**138**	232
— Gain on disposal of property, plant and equipment (Note 31)	**(1,621)**	(9,074)
— Gain on disposal of available-for-sale financial assets (Note 31)	**–**	(809)
— Gain on disposal of an associate (Note 31)	**–**	(24,974)
— Gain on disposal of partial interest of an associate (Note 31)	**(1,285)**	–
— Loss/(gain) of disposal of subsidiaries (Note 31)	**6,347**	(1,300)
— Fair value gain on investment properties (Note 9)	**(255,733)**	(123,409)
— Gain on bargain purchase from acquisition of an associate (Note 12)	**(344,877)**	–
— Gain on bargain purchase from acquisition of a subsidiary (Note 47)	**(44,042)**	(208,012)
— Write-back of trade and other payables (Note 31)	**(3,315)**	(2,342)
— Provision for impairment of available-for-sale financial assets (Note 31)	**–**	4,434
— Loss on conversion of a financial asset at fair value through profit or loss from preference shares to ordinary shares (Note 31)	**7,156**	–
— Written-down of inventories to net realisable value (Note 32)	**7,113**	–
— Provision for impairment of loans and advance, trade and other receivables and contract assets (Note 32)	**33,758**	27,160
— Share of results of associates (Note 12)	**(15,089)**	3,460
— Provision for impairment of investment in an associate (Note 12)	**–**	5,212
— Adjustments on put option liability in relation to acquisition of subsidiaries, net (Note 34)	**4,413**	(14,426)
Operating profit before working capital changes	**258,828**	694,939
Changes in working capital:		
— Inventories	**7,843**	7,502
— Loans and advances	**(97,216)**	94,701
— Client trust bank balances	**(160,053)**	(50,546)
— Completed properties held for sale and properties under development	**642,278**	1,269,653
— Trade receivables and contract assets	**168,628**	(126,372)
— Finance lease receivables	**(11,467)**	–
— Prepayments, deposits and other receivables	**376,458**	(193,348)
— Financial assets at fair value through profit or loss	**(534,963)**	(203,213)
— Trade and bill payables	**(135,302)**	185,831
— Restricted cash	**252**	–
— Accruals and other payables and contract liabilities	**(519,102)**	(1,141,596)
Cash (used in)/generated from operations	**(3,816)**	537,551

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) This section sets out an analysis the movements in liabilities from financing activities for each of the periods presented.

	Corporate bonds HK$'000	**Other borrowings** HK$'000	**Bank loans** HK$'000	**Total** HK$'000
As at 1 January 2017	–	–	(779,572)	(779,572)
Cash flows	(31,000)	–	361,669	330,669
Interest accrued	(723)	–	–	(723)
Acquisition of subsidiaries through business combination	–	–	(176,239)	(176,239)
As at 31 December 2017	**(31,723)**	**–**	**(594,142)**	**(625,865)**
Cash flows	**(143,000)**	**(819,103)**	**(110,289)**	**(1,072,392)**
Interest accrued	**(2,891)**	**(10,361)**	**–**	**(13,252)**
Exchange realignment	**–**	**18,314**	**6,844**	**25,158**
As at 31 December 2018	**(177,614)**	**(811,150)**	**(697,587)**	**(1,686,351)**

39. 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:

	2018 HK$'000	2017 HK$'000
Not later than one year	9,531	9,359
Later than one year and not later than five years	3,464	9,774
	12,995	19,133

The Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases of the Group were as follows:

	2018 HK$'000	2017 HK$'000
Not later than one year	42,429	34,266
Later than one year and not later than five years	75,909	59,624
More than five years	–	311
	118,338	94,201

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the year are analysed into the following categories. See Note 2.1A for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 HK$'000	2017 HK$'000
Financial assets		
Measured at fair value		
— Available-for-sale financial assets	–	1,483,818
— Financial assets at FVOCI	903,857	–
— Financial assets at FVTPL	982,589	952,960
Measured at cost		
— Available-for-sale financial assets	–	51,032
Measured at amortised cost		
— Trade receivables	154,417	364,464
— Finance lease receivables	135,638	124,171
— Loans and advances	960,394	892,904
— Contract assets	37,224	–
— Deposits and other receivables	174,802	181,631
— Held-to-maturity investment	–	60,000
— Client trust bank balances	261,084	101,031
— Restricted cash	67,893	46,154
— Time deposits with original maturity over three months	39,350	–
— Cash and cash equivalents	907,123	2,231,369
	4,624,371	6,489,534
Financial liabilities		
Measured at amortised cost		
— Trade and bills payables	779,925	737,629
— Other payables	637,512	1,445,297
— Borrowings	1,686,351	625,865
	3,103,788	2,808,791

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

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

(a) Market risk

Foreign exchange risk

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

As at 31 December 2018 and 2017, the Group's cash and bank balances and borrowings are mainly denominated in Hong Kong dollar, RMB and US dollar. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2018, if RMB had strengthened/weakened by 5% with all other variables held constant, there will be no significant impact on the post-tax profit of the Group (2017: Same).

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

Price risk

The Group is exposed to equity price risk arising from its financial assets measured at fair value. The Group's financial instruments are subject to change in market prices of the securities. To manage its price risk arising from investments in equity securities, the Group diversity its portfolio.

As of 31 December 2018, the Group's investments in listed entities that are publicly traded are subject to price risk. A 10% (2017: 10%) change is used when reporting the price risk internally to the management. If the price of the respective equity securities designated as FVOCI and financial assets at FVTPL had been 10% higher/lower, the equity would have been increased/decreased by approximately HK$79,900,000 (2017: HK$148,382,000) and the profit would have been increased/decreased by approximately HK$83,865,000 (2017: HK$116,995,000), respectively.

The Group is not exposed to significant commodity price risk as at 31 December 2018 and 2017.

Interest rate risk

Except for the cash held at banks, the Group has no other significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2018, if interest rates on cash held at banks had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,721,000 (2017: HK$5,787,000) higher/lower, mainly as a result of higher/lower interest income on cash at banks.

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

At 31 December 2018, if interest rates on borrowings had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$1,103,000 (2017: HK$872,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk mainly arises from trade and other receivables, contract assets, loans and advances, finance lease receivables, debt investments measured at fair value and cash and bank balances.

As at 31 December 2018, the top five debtors and the largest debtor accounted for approximately 39% (2017: 38%) and 13% (2017: 16%) of the Group's trade receivables balance, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit of on average of 30% of the sales amount, or to provide the Group with a letter of credit when placing orders.

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

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

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

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Impairment and provisioning policies

The Group has adopted HKFRS 9 on 1 January 2018, where the impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure ECL on trade receivables and contract assets; and general approach to measure ECL on loans and advances to customers, debt investments measured at fair value and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The loan and advances use the number of days past due and loan-to-collateral value to determine significant increase in credit risk. For non-standard financing, internally derived credit ratings have been identified as representing the best available determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Financial assets with credit risk exposure

(a) Bank balances and client trust bank balances

The counterparties of all client trust bank balances and the majority of cash and bank balances are located in Hong Kong. As the Group's bank balances and client trust bank balances are deposited with a number of reputable banks, in the opinion of the directors, the credit risk of the Group's bank balances and client trust bank balances is insignificant.

(b) Financial assets measured at FVTPL and FVOCI

Certain share certificates of financial assets measured at FVTPL and FVOCI are placed in reputable securities brokers institutions. The credit risks in respect of these financial assets are considered to be low.

(c) Loans and advances, trade receivables and contract assets

The counterparties of the majority of loans and advances (including margin loans and other loan financing), trade receivables and contract assets are individuals who are mainly located in Hong Kong and the PRC. The management prepares an analysis of key margin client to avoid excessive concentration of risk. For the customers related to sales of goods, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery. As the Group trades with a large number of diversified clients, in the opinion of the directors, the concentration of credit risk of loans and advances, trade receivables and contract assets is manageable.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Financial assets with credit risk exposure (Continued)

(c) Loans and advances, trade receivables and contract assets *(Continued)*

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables and contract assets as at 31 December 2018:

	Expected loss Rate %	Gross carrying Amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.5%-1.0%	125,412	396
1-30 days past due	0.5%-1.0%	19,289	94
31-60 days past due	1.0%-5.0%	10,479	120
61-90 days past due	1.0%-5.0%	8,980	86
91-120 days past due	1.0%-10.0%	11,048	256
121-365 days past due	1.0%-10.0%	21,522	4,137
More than 365 days past due	100%	7,100	7,100
		203,830	12,189

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Financial assets with credit risk exposure (Continued)

(c) Loans and advances, trade receivables and contract assets *(Continued)*

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$3,017,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	300,188
Past due but not impaired	
1–30 days past due	24,724
31–60 days past due	17,038
61–90 days past due	3,184
91–120 days past due	3,671
Over 120 days past due	18,676
	367,481

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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.

	Within one year or on demand HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 December 2018				
Trade and bills payables	779,925	–	–	779,925
Other payables	637,512	–	–	637,512
Borrowings and interest payables	1,689,829	32,550	–	1,722,379
	3,107,266	32,550	–	3,139,816
Financial guarantee issued				
Maximum amount guarantee	1,099,508	–	–	1,099,508
At 31 December 2017				
Trade and bills payables	737,629	–	–	737,629
Other payables	1,367,933	77,364	–	1,445,297
Borrowings and interest payables	432,010	186,356	32,550	650,916
	2,537,572	263,720	32,550	2,833,842
Financial guarantee issued				
Maximum amount guarantee	957,379	–	–	957,379

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2018					
Borrowings and interest payables	**1,593,341**	**43,544**	**100,109**	**40,492**	**1,777,486**
At 31 December 2017					
Borrowings and interest payables	334,817	191,990	49,455	81,682	657,944

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.2 Capital risk management

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

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

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

The Group's total borrowings and total equity and gross gearing ratio at 31 December 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Total borrowings	**1,686,351**	625,865
Total equity	**6,964,754**	7,769,381
Gross gearing ratio (%)	**24.2**	8.1

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.3 Fair value estimation

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

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. For the year ended 31 December 2018, instruments included in level 1 comprise listed shares classified as financial assets at FVTPL and financial assets at FVOCI (2017: financial assets at FVTPL and available-for-sale financial assets).

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise financial assets at FVOCI and put option liability in relation to acquisition of subsidiaries (2017: available-for-sale financial assets and put option liability in relation to acquisition of subsidiaries) that do not have a quoted market price in an active market as of 31 December 2018.

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

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.3 Fair value estimation *(Continued)*

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2018 and 2017:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2018				
Assets				
Financial assets at FVTPL	**838,096**	**144,493**	**–**	**982,589**
Financial assets at FVOCI	**799,009**	**–**	**104,848**	**903,857**
	1,637,105	**144,493**	**104,848**	**1,886,446**
Liability				
Put option liability in relation to acquisition of subsidiaries	**–**	**–**	**247,146**	**247,146**
As at 31 December 2017				
Assets				
Financial assets at FVTPL	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

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

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

The following table presents the changes in level 3 financial assets/(liabilities) for the year ended 31 December 2018:

	Financial asset at FVOCI HK$'000	Put option liability in relation to acquisition of subsidiaries HK$'000
Opening balance at 1 January 2018	–	(242,733)
Transfer from available-for-sale financial assets upon initial application of HKFRS 9	51,032	–
Fair value change upon initial application of HKFRS 9	31,381	–
Fair value gain	22,435	–
Adjustment on put option liability recognised in profit or loss	–	(4,413)
Closing balance at 31 December 2018	104,848	(247,146)

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

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

Note: As at 31 December 2017 and 2018, the Group valued its investments in unlisted shares classified as financial assets at fair value through other comprehensive income (2017: available-for-sale financial asset) using back-solve method (2017: a combination of market approach and cost approach) which is not based on observable inputs.

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.4 Fair value measurements using significant unobservable inputs (Level 3) *(Continued)*

Description	Fair value at 31 December		Valuation technique(s)	Unobservable inputs		Range (weighted average)		Relationship of unobservable inputs to fair value
	2018 HK$'000	2017 HK$'000		2018	2017	2018	2017	
Equity securities	51,194	20,006	Market comparable approach using equity allocation method	Volatility	Volatility	50%	50%	The higher the volatility, the higher the fair value
Equity securities	47,671	27,026	Market comparable approach using equity allocation method	Volatility	Volatility	50%	50%	The higher the volatility, the higher the fair value
Equity securities	5,983	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

41.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes. The level 1 and level 2 fair values of financial assets are measured by reference to quoted market prices. For the year ended 31 December 2018, the Group has engaged an independent professionally qualified valuer, Duff & Phelps, to perform the valuation of financial instruments in Level 3 for financial reporting purposes.

At each financial year end, the finance department reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3. Changes in level 2 and 3 fair values are analysed at each reporting date. As part of that discussion, the finance department presents a report that explains the reasons for the fair value movements.

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.6 Offsetting financial instruments

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

	As at 31 December 2018					
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in statement of financial position HK$'000	Related amounts not set off in statement of financial position: Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade receivables	232,339	(77,922)	154,417	–	–	154,417

	As at 31 December 2018					
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in statement of financial position HK$'000	Related amounts not set off in statement of financial position: Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade and bill payables	857,847	(77,922)	779,925	–	–	779,925

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

41. FINANCIAL RISK MANAGEMENT *(Continued)*

41.6 Offsetting financial instruments *(Continued)*

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

42. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred by the Group were as follows:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	–	577
Investment properties	**1,323,763**	155,966
Investment in an associate	**240,000**	–
Property development expenditures	**277,094**	556,402

43. FINANCIAL GUARANTEE

	2018 HK$'000	2017 HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note)	**1,099,508**	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.

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) The Group signed a consultancy agreement with Baoneng Real Estate Stock Company Limited ("Baoneng") on 1 January 2017, pursuant to which Shenzhen Baokai Investment Holdings Ltd, a wholly owned subsidiary, agreed to provide consultancy services to Baoneng at an annual fee of RMB1,100,000 which mutually agreed by both parties. The agreement was expired as at 31 December 2017.

(b) Key management compensation

	2018 HK$'000	2017 HK$'000
Directors' fees	**3,239**	2,607
Basic salaries, housing allowances, other allowances and benefits in kind	**16,018**	15,769
Contributions to pension plans	**278**	188
	19,535	18,564

(c) Loans from related parties

Name of related party	Relationship	2018 HK$'000	2017 HK$'000
深圳前海廣榮投資有限公司	Controlled by controlling shareholder	**288,788**	–
創邦集團有限公司	Controlled by controlling shareholder	**190,597**	–
		479,385	–

The amounts represent two loans, due within one year, from these related parites and carry interest at 5.00% per annum. As at 31 December 2018, the aggregate remaining loan principal is RMB417,000,000.

(d) Interest on loans from related parties

Name of related party	Relationship	2018 HK$'000	2017 HK$'000
深圳前海廣榮投資有限公司	Controlled by controlling shareholder	**3,596**	–

45. SHARE-BASED PAYMENTS

Share options were granted to directors, certain members of the senior management and employees of the Company on 17 June 2013 (the "Date of Grant"). The exercise price of the granted options is HK$0.42, which represents the highest of (i) the official closing price of HK$0.41 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of HK$0.42 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Company's share. Options are granted unconditionally and vested immediately on the Date of Grant. The options are exercisable in ten years starting from the Date of Grant. The Group has no legal or constructive obligation to repurchase or settle options in cash.

The fair value of options, determined using Binomial-Model, was HK$0.185 per option. The significant inputs into the model was share price of HK$0.41 at the Date of Grant, exercise price shown above, volatility of 65%, dividend yield of 2%, an expected option life of ten years and an annual risk-free interest rate of 1.59%. The volatility was assumed based on the daily share price volatility of the Company and comparable companies for a historical observation period equal to the life of the options. Since the Company had a trading history shorter than the life of the options at the time of the grant, volatility was calculated with reference to comparable companies listed in Hong Kong and in the same industry as the Company.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2018		2017	
	Exercise price in HK$ per share option	**Options (thousands)**	Exercise price in HK$ per share option	Options (thousands)
At 1 January	–	–	0.42	2,000
Exercised	–	–	(0.42)	(2,000)
Expired	–	–	–	–
At 31 December	–	–	–	–

All outstanding options were exercisable upon the date of grant.

46. DISPOSAL OF A SUBSIDIARY

China Goldjoy Brilliant Fund SP ("Brilliant Fund")

During the year ended 31 December 2018, Brilliant Fund issued new shares to class A subscribers. Upon the issuance of new shares to class A subscribers, the Group's interests in Brilliant Fund was diluted from 38.03% to 17.56% and loss of control on the Brilliant Fund. The loss of control was taken place in November 2018. As at 31 December 2018, the Group holds 17.56% interests in Brilliant Fund.

Analysis of net assets at the date of loss of control

	HK$'000
Cash and cash equivalents	7,009
Financial assets at FVTPL	113,429
Deposits, prepayments and other receivables	1,121
Net assets disposed of	121,559
Loss on deemed disposal of a subsidiary	
Fair value of investment retained	21,432
Net assets disposed of	(121,559)
Release of liability upon deemed disposal of a subsidiary	89,891
Loss on deemed disposal of a subsidiary	(10,236)
Net cash outflow arising from deemed disposal of Brilliant Fund	
Cash consideration received	–
Cash and cash equivalents disposed of	(7,009)
Net cash outflow	(7,009)

47. BUSINESS COMBINATION

(a) 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 "Taifeng 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 consolidated statement of comprehensive income for the year ended 31 December 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.

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
Consideration in cash	577,350
Assumption of the Vendor's payable	229,962
Total consideration	807,312

47. BUSINESS COMBINATION *(Continued)*

(a) Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
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 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)

Acquisition-related costs of Taifeng of HK$1,436,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2018 contributed by Taifeng was approximately HK$219,071,000.

47. BUSINESS COMBINATION *(Continued)*

(a) Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(Continued)*

Had Taifeng been consolidated from 1 January 2018, the consolidated statement of comprehensive income for the year ended 31 December 2018 would show pro-forma revenue of HK$1,582,754,000 and profit for the year of HK$677,804,000.

(b) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017

On 27 December 2017, the Group completed the acquisition of 100% equity interest in Tai Sheng from the Vendor pursuant to the sale and purchase agreement dated 4 August 2017, at a consideration of approximately RMB1,720,000,000 (approximate to HK$2,046,800,000).

Tai Sheng held a property development project (the "TaiSheng Project") named Century Plaza located in Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC. This TaiSheng Project comprises of commercial buildings, a hotel, a shopping arcade, car park and residential properties.

A gain on bargain purchase (negative goodwill) of approximately HK$208,012,000 was recorded in consolidated statement of comprehensive income for the year ended 31 December 2017, which mainly arose from the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of identifiable assets acquired and liabilities assumed to their fair values with reference to the property valuation report carried out by D&P China (HK) Limited, a division of Duff & Phelps, an independent valuer.

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

	HK$'000
Consideration in cash	456,960
Assumption of the Vendor's payable	1,589,840
Total consideration	2,046,800

47. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017 *(Continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Assets:	
Cash and cash equivalents	11,663
Restricted cash	46,154
Prepaid income tax	118,926
Deposits, prepayments and other receivables	1,670,316
Properties under development	524,212
Completed properties held for sale	1,967,920
Investment properties	520,026
Property, plant and equipment	947
	4,860,164
Liabilities:	
Accruals and other payables	(324,852)
Trade payables	(385,778)
Advances received from the pre-sale of properties under development	(1,617,719)
Deferred tax liabilities	(100,764)
Bank borrowing	(176,239)
	(2,605,352)
Total identifiable net assets	2,254,812
Gain on bargain purchase from acquisition	(208,012)
Net cash outflows arising from acquisition of a subsidiary	
Cash consideration	(456,960)
Consideration payable*	339,749
Cash and cash equivalents	11,663
Net cash outflow	(105,548)

47. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of 100% equity interest in Laihua Tai Sheng Limited ("Tai Sheng") in 2017 *(Continued)*

Acquisition-related costs of Tai Sheng of HK$2,890,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2017 contributed by Tai Sheng was approximately HK$1,390,012,000.

Had Tai Sheng been consolidated from 1 January 2017, the consolidated statement of comprehensive income for the year ended 31 December 2017 would show pro-forma revenue of HK$1,394,218,000 and profit of HK$63,398,000.

* The consideration payable of HK$339,749,000 in relation to the acquisition of Tai Sheng was not yet settled as at 31 December 2017 and was included in other payables. During the year ended 31 December 2018, the consideration payable was fully settled in cash.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		–	–
Investment in an associate		370,238	–
		370,238	–
Current assets			
Other receivables		32,948	1,403
Amounts due from subsidiaries		5,169,212	3,585,588
Cash and cash equivalents		32,008	1,319,108
		5,234,168	4,906,099
Total assets		5,604,406	4,906,099
EQUITY			
Share capital	25	2,586,981	2,467,933
Reserves	26	2,570,680	2,114,759
		5,157,661	4,582,692
LIABILITIES			
Non-current liability			
Borrowings		31,847	31,723
Current liabilities			
Accrual and other payables		10,543	7,440
Borrowings		404,355	284,244
		414,898	291,684
Total liabilities		446,745	323,407
Total equity and liabilities		5,604,406	4,906,099

The financial statements were approved by the board of directors on 27 March 2019 and were signed on its behalf.

Yao Jianhui
Chairman

Li Minbin
Director

49. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of every director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2018 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note d) HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensations HK$'000	Emoluments paid or receivables in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Yao Jianhui	600	1,209	198	66	–	–	2,073
Li Minbin	540	1,545	753	110	–	–	2,948
Zhang Chi	312	49	14	29	–	–	404
Huang Wei (Note a)	60	–	–	1	–	–	61
Non-executive directors							
Huang Wei (Note a)	300	–	–	–	–	–	300
Lau Wan Po (Note b)	267	–	–	–	–	–	267
Chen Kaiben (Note c)	20	–	–	–	–	–	20
Independent non-executive directors							
Wong Chun Bong	420	–	–	–	–	–	420
Lee Kwan Hung	360	–	–	–	–	–	360
Lee Kwok On, Matthew	360	–	–	–	–	–	360
	3,239	2,803	965	206	–	–	7,213

Note a: Re-designated from non-executive director to executive director on 1 November 2018

Note b: Appointed on 3 July 2018

Note c: Appointed on 1 November 2018 and unconditionally waived his entitlement to a director's fee of HK$20,000 in respect of the year ended 31 December 2018

Note d: Discretionary bonuses are determined on the performance of the employees

49. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' and chief executive's emoluments *(continued)*

The remuneration of every director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2017 is set out below:

Name of director	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note c) HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensations HK$'000	Emoluments paid or receivables in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Yao Jianhui	516	1,505	93	18	–	–	2,132
Li Minbin	462	944	264	100	–	–	1,770
Zhang Chi (Note a)	146	–	–	5	–	–	151
Shao Zuosheng (Note b)	205	1,425	–	11	–	–	1,641
Non-executive director							
Huang Wei	306	–	–	–	–	–	306
Independent non-executive directors							
Wong Chun Bong	372	–	–	–	–	–	372
Lee Kwan Hung	300	–	–	–	–	–	300
Lee Kwok On, Matthew	300	–	–	–	–	–	300
	2,607	3,874	357	134	–	–	6,972

Note a: Appointed on 13 July 2017

Note b: Resigned on 13 July 2017

Note c: Discretionary bonuses are determined on the performance of the employees

Except for Chen Kaiben, there were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2017: Same).

The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company.

49. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

Directors' and chief executive's emoluments *(continued)*

During the year ended 31 December 2018, the Group does not pay consideration to any third parties for making available directors' services (2017: Nil).

As at 31 December 2018, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

Save as disclosed in Note 44, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

50. EVENTS AFTER THE REPORTING DATE

(i) On 10 January 2019, the Group entered into two sale and purchase agreements with two independent vendors in relation to the acquisition of a further 20% equity interests in each of Affluent Advantage Limited, Proficient Power Limited, Prominent Up Limited, Fast Prestige Limited, Novel Forward Limited, Gigantic Increase Limited, Metro Grow Limited and Stellar Result Limited under the Financial Services segment at a consideration of HK$200 million. The transactions were completed on 14 January 2019. Details of the acquisitions have been set out in the Company's announcements made on 10 January 2019 and 15 January 2019.

(ii) On 17 January 2019, the Group entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to purchase, and the vendors conditionally agreed to sell, in aggregate 1,509,180,611 shares of New Sports Group Limited, representing approximately 37.18% of the entire issued share capital of New Sports Group Limited. On 18 March 2019, the Company issued an announcement to update the change in the number of shares to be purchased from the vendors to 1,508,505,611 shares, representing approximately 37.16% of the entire issued share capital of New Sports Group Limited. The consideration for the acquisition will be settled by the Company allotting and issuing new shares of 1,508,505,611 ordinary share of the Company in aggregate, representing approximately 5.83% of the existing issued share capital of the Company as of the date of the announcement. The transaction has not yet completed as at the date of approval of these financial statements. Details of the acquisition have been set out in the Company's announcements made on 21 January 2019 and 18 March 2019.

(iii) In line with the long-term business development plan and after consideration and approval by the board of directors of the Company on 27 March 2019, the Company proposed to change its name from "China Goldjoy Group Limited" to "Glory Sun Financial Group Limited" with its dual foreign name from "中國金洋集團有限 公司" to "寶新金融集團有限公司". The proposed change of company name is subject to the conditions of (i) the shareholders of the Company approving the proposed change of company name by way of a special resolution at the forthcoming extraordinary general meeting of the Company; and (ii) the Registrar of Companies in the Cayman Islands approving the change of company name.

中國金洋集團有限公司

China Goldjoy Group Limited

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