

## Contents

|    |   |
|----|---|
| 2  | Corporate Information   |
| 3  | Report on Review of Interim Financial Information                 |
| 5  | Condensed Consolidated Statement of Financial Position            |
| 7  | Condensed Consolidated Statement of Comprehensive Income          |
| 8  | Condensed Consolidated Statement of Changes in Equity             |
| 9  | Condensed Consolidated Statement of Cash Flows                    |
| 10 | Notes to the Condensed Consolidated Interim Financial Information |
| 41 | Management Discussion and Analysis                                |
| 49 | Other Information   |





# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Director

Mr. Huang Wei

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## INVESTMENT COMMITTEE

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

## STRATEGIC COMMITTEE

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

## COMPANY SECRETARY

Ms. Kwok Ling Yee, Pearl Elizabeth

## PRINCIPAL BANKERS

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

## LEGAL ADVISER

*As to Hong Kong Law:*  
Sidley Austin

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## LISTING VENUE

Main Board of The Stock Exchange of  
Hong Kong Limited

## STOCK CODE

1282

## COMPANY WEBSITE

<http://www.hk1282.com>



# Report on Review of Interim Financial Information



**TO THE BOARD OF DIRECTORS OF  
CHINA GOLDJOY GROUP LIMITED**

(incorporated in the Cayman Islands with limited liability)

羅兵咸永道

## INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 40, which comprises the interim condensed consolidated statement of financial position of China Goldjoy Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

---

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*



## Report on Review of Interim Financial Information (continued)

### CONCLUSION

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 25 August 2017



# Condensed Consolidated Statement of Financial Position

As at 30 June 2017

|  | Notes | As at<br>30 June<br>2017<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| <b>Assets</b>  |       |   |   |
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment                                      | 7     | 401,348   | 387,223   |
| Investment properties  | 7     | 1,704,532   | 1,590,524   |
| Intangible assets  | 7     | 199,246   | 202,659   |
| Investments in associates  |       | 5,300   | 82,207  |
| Available-for-sale financial assets                                | 8     | 1,406,865   | 986,777   |
| Trade receivables  | 10    | 10,047  | 3,377   |
| Prepayments  | 11    | 6,500   | –   |
|  |       | <b>3,733,838</b>                                    | 3,252,767   |
| <b>Current assets</b>  |       |   |   |
| Inventories  |       | 48,524  | 36,069  |
| Loans and advances   | 9     | 938,024   | 987,605   |
| Trade receivables  | 10    | 240,381   | 234,420   |
| Prepayments, deposits and other receivables                        | 11    | 153,437   | 34,033  |
| Current income tax recoverables                                    |       | 1,327   | 1,651   |
| Held-to-maturity investment  |       | 60,000  | 25,000  |
| Financial assets at fair value through profit or loss              | 12    | 781,898   | 748,901   |
| Client trust bank balances   |       | 408,427   | 50,485  |
| Cash and cash equivalents  |       | 1,134,156   | 1,535,633   |
|  |       | <b>3,766,174</b>                                    | 3,653,797   |
| Assets classified as held-for-sale                                 | 14    | 84,994  | 99,176  |
|  |       | <b>3,851,168</b>                                    | 3,752,973   |
| <b>Total assets</b>  |       | <b>7,585,006</b>                                    | 7,005,740   |
| <b>EQUITY</b>  |       |   |   |
| <b>Owner's equity attributable to the Company's equity holders</b> |       |   |   |
| Share capital  | 13    | 2,214,860   | 2,214,860   |
| Share premium  | 13    | 2,402,151   | 2,402,151   |
| Other reserves and retained earnings                               |       | 178,193   | 85,586  |
|  |       | <b>4,795,204</b>                                    | 4,702,597   |
| Non-controlling interests  |       | 462,138   | 446,765   |
| <b>Total equity</b>  |       | <b>5,257,342</b>                                    | 5,149,362   |

# Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2017

|   | Notes | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|-------|--|---|
| <b>Liabilities</b>                      |       |  |   |
| <b>Non-current liabilities</b>          |       |  |   |
| Other payables                          | 17    | <b>257,159</b>   | 257,159   |
| Borrowings                              | 15    | <b>21,172</b>  | –   |
| Deferred income tax liabilities         |       | <b>200,751</b>   | 184,915   |
|   |       | <b>479,082</b>   | 442,074   |
| <b>Current liabilities</b>              |       |  |   |
| Trade and bills payables                | 16    | <b>510,753</b>   | 176,563   |
| Accruals and other payables             | 17    | <b>389,684</b>   | 413,516   |
| Borrowings                              | 15    | <b>892,042</b>   | 779,572   |
| Current income tax liabilities          |       | <b>39,076</b>  | 27,323  |
|   |       | <b>1,831,555</b>   | 1,396,974   |
| Liabilities classified as held-for-sale | 14    | <b>17,027</b>  | 17,330  |
|   |       | <b>1,848,582</b>   | 1,414,304   |
| <b>Total liabilities</b>                |       | <b>2,327,664</b>   | 1,856,378   |
| <b>Total equity and liabilities</b>     |       | <b>7,585,006</b>   | 7,005,740   |

The notes on pages 10 to 40 form an integral part of this condensed consolidated interim financial information.



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

|   | Notes | Six months ended<br>30 June<br>2017<br>HK\$'000<br>(Unaudited) | Six months ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|---|-------|--|--|
| Revenue   | 6     | 337,561  | 328,465  |
| Cost of sales   |       | (257,603)  | (235,313)  |
| Gross profit  |       | 79,958   | 93,152   |
| Other gain — net  | 18    | 27,046   | 9,355  |
| Other income  | 18    | 68,650   | 320  |
| Fair value gain on investment properties                                    |       | 66,979   | —  |
| Distribution costs  |       | (11,759)   | (10,273)   |
| Administrative expenses   |       | (95,188)   | (77,480)   |
| Operating profit  | 19    | 135,686  | 15,074   |
| Finance (costs)/income — net  | 20    | (1,218)  | 14,661   |
| Share of losses of associates   |       | (3,373)  | (157)  |
| Profit before income tax  |       | 131,095  | 29,578   |
| Income tax expense  | 21    | (25,862)   | (14,613)   |
| Profit for the period   |       | 105,233  | 14,965   |
| Profit attributable to  |       |  |  |
| — owners of the Company   |       | 89,860   | 14,851   |
| — non-controlling interests   |       | 15,373   | 114  |
|   |       | 105,233  | 14,965   |
| Other comprehensive income/(loss)   |       |  |  |
| <i>Items that may be reclassified to profit or loss</i>                     |       |  |  |
| Fair value gain/(loss) on available-for-sale financial assets               |       | 95,476   | (79,398)   |
| Currency translation differences  |       | (21,853)   | (16,470)   |
| Other comprehensive income/(loss) for the period                            |       | 73,623   | (95,868)   |
| Total comprehensive income/(loss) for the period attributable to            |       |  |  |
| — owners of the Company   |       | 163,483  | (81,017)   |
| — non-controlling interests   |       | 15,373   | 114  |
|   |       | 178,856  | (80,903)   |
| Earnings per share for profit attributable to equity holders of the Company |       |  |  |
| — basic (expressed in Hong Kong cents per share)                            | 22    | 0.41   | 0.07   |
| — diluted (expressed in Hong Kong cents per share)                          | 22    | 0.41   | 0.07   |

The notes on pages 10 to 40 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

|   | Attributable to the equity holders of the Company |                              |                               |                                |  |                                  |                              |   |                                 |                                  |  | Total<br>HK\$'000 |
|---|---|------------------------------|-------------------------------|--------------------------------|--|----------------------------------|------------------------------|---|---------------------------------|----------------------------------|--|-------------------|
|   | Share<br>capital<br>HK\$'000                      | Share<br>premium<br>HK\$'000 | Merger<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |                   |
| <b>(Unaudited)</b>  |   |                              |                               |                                |  |                                  |                              |   |                                 |                                  |  |                   |
| <b>For the six months ended 30 June 2017</b>              |   |                              |                               |                                |  |                                  |                              |   |                                 |                                  |  |                   |
| At 1 January 2017   | 2,214,860   | 2,402,151                    | (215,150)                     | 12,411                         | 370                                    | 71,370                           | (224,488)                    | (25,825)  | 3,768                           | 463,130                          | 446,765                                      | 5,149,362         |
| Profit for the period                                     | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | -                               | 89,860                           | 15,373                                       | 105,233           |
| Other comprehensive income:                               |   |                              |                               |                                |  |                                  |                              |   |                                 |                                  |  |                   |
| Fair value gain on available-for-sale<br>financial assets | -   | -                            | -                             | -                              | -                                      | -                                | -                            | 95,476  | -                               | -                                | -  | 95,476            |
| Currency translation differences                          | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | (21,853)                        | -                                | -  | (21,853)          |
| Total other comprehensive income/(loss)                   | -   | -                            | -                             | -                              | -                                      | -                                | -                            | 95,476  | (21,853)                        | -                                | -  | 73,623            |
| Total comprehensive income/(loss)                         | -   | -                            | -                             | -                              | -                                      | -                                | -                            | 95,476  | (21,853)                        | 89,860                           | 15,373                                       | 178,856           |
| Dividend relating to 2016 paid<br>during the period       | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | -                               | (70,876)                         | -  | (70,876)          |
| <b>At 30 June 2017</b>                                    | <b>2,214,860</b>                                  | <b>2,402,151</b>             | <b>(215,150)</b>              | <b>12,411</b>                  | <b>370</b>                             | <b>71,370</b>                    | <b>(224,488)</b>             | <b>69,651</b>   | <b>(18,085)</b>                 | <b>482,114</b>                   | <b>462,138</b>                               | <b>5,257,342</b>  |

|   | Attributable to the equity holders of the Company |                              |                               |                                |  |                                  |                              |   |                                 |                                 |  | Total<br>HK\$'000 |
|---|---|------------------------------|-------------------------------|--------------------------------|--|----------------------------------|------------------------------|---|---------------------------------|---------------------------------|--|-------------------|
|   | Share<br>capital<br>HK\$'000                      | Share<br>premium<br>HK\$'000 | Merger<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Statutory<br>reserve<br>HK\$'000 | Other<br>reserve<br>HK\$'000 | Available-<br>for-sale<br>financial<br>assets<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>earning<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 |                   |
| <b>(Unaudited)</b>  |   |                              |                               |                                |  |                                  |                              |   |                                 |                                 |  |                   |
| <b>For the six months ended 30 June 2016</b>              |   |                              |                               |                                |  |                                  |                              |   |                                 |                                 |  |                   |
| At 1 January 2016   | 2,154,860   | 2,054,151                    | (215,150)                     | 12,411                         | 370                                    | 33,987                           | 54,304                       | (14,798)  | 69,870                          | -                               | -  | 4,150,005         |
| Profit for the period                                     | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | 14,851                          | 114                             | -  | 14,965            |
| Other comprehensive loss:                                 |   |                              |                               |                                |  |                                  |                              |   |                                 |                                 |  |                   |
| Fair value loss on available-for-sale<br>financial assets | -   | -                            | -                             | -                              | -                                      | -                                | (79,398)                     | -   | -                               | -                               | -  | (79,398)          |
| Currency translation differences                          | -   | -                            | -                             | -                              | -                                      | -                                | -                            | (16,470)  | -                               | -                               | -  | (16,470)          |
| Total other comprehensive loss                            | -   | -                            | -                             | -                              | -                                      | -                                | (79,398)                     | (16,470)  | -                               | -                               | -  | (95,868)          |
| Total comprehensive (loss)/income                         | -   | -                            | -                             | -                              | -                                      | -                                | (79,398)                     | (16,470)  | 14,851                          | 114                             | -  | (80,903)          |
| Acquisition of subsidiaries                               | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | -                               | -                               | 6,261  | 6,261             |
| Dividend relating to 2015 paid<br>during the period       | -   | -                            | -                             | -                              | -                                      | -                                | -                            | -   | -                               | (53,871)                        | -  | (53,871)          |
| <b>At 30 June 2016</b>                                    | <b>2,154,860</b>                                  | <b>2,054,151</b>             | <b>(215,150)</b>              | <b>12,411</b>                  | <b>370</b>                             | <b>33,987</b>                    | <b>(25,094)</b>              | <b>(31,268)</b>   | <b>30,850</b>                   | <b>6,375</b>                    | <b>-</b>                                     | <b>4,021,492</b>  |

The notes on pages 10 to 40 form an integral part of this condensed consolidated interim financial information.





# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

|  | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|--|---|---|
| <b>Cash flows from operating activities</b>                            |   |   |
| Cash used in operations  | <b>(56,606)</b>   | (422,893)   |
| Interest paid  | <b>(7,917)</b>  | (470)   |
| Profits tax refunded/(paid)  | <b>1,943</b>  | (523)   |
| <b>Net cash used in operating activities</b>                           | <b>(62,580)</b>   | (423,886)   |
| <b>Cash flows from investing activities</b>                            |   |   |
| Purchase of property, plant and equipment                              | <b>(10,289)</b>   | (3,065)   |
| Payments for construction costs of investment properties               | <b>(49,014)</b>   | –   |
| Purchase of available-for-sale financial assets                        | <b>(330,488)</b>  | (831,020)   |
| Purchase of held-to-maturity investment                                | <b>(60,000)</b>   | –   |
| Proceeds received from disposal of held-to-maturity investment         | <b>25,000</b>   | –   |
| Proceeds received from disposal of property, plant and equipment       | <b>12,374</b>   | 4   |
| Proceeds received from disposal of available-for-sale financial assets | <b>6,764</b>  | 30,786  |
| Proceeds received from disposal of investment in an associate          | <b>20,000</b>   | –   |
| Interest received  | <b>6,871</b>  | 15,131  |
| Prepayment for purchase of property, plant and equipment               | –   | (5,617)   |
| Prepayment for property acquisition                                    | <b>(6,500)</b>  | –   |
| Acquisition of an associate  | –   | (59,250)  |
| Acquisition of subsidiaries, net of cash acquired                      | –   | (14,100)  |
| Dividend received from an associate                                    | <b>9,338</b>  | –   |
| <b>Net cash used in investing activities</b>                           | <b>(375,944)</b>  | (867,131)   |
| <b>Cash flows from financing activities</b>                            |   |   |
| Drawdown of bank borrowings  | <b>330,670</b>  | 8,522   |
| Repayment for bank borrowings  | <b>(218,200)</b>  | (47,270)  |
| Proceeds from issuance of corporate bonds                              | <b>21,000</b>   | –   |
| Dividend paid  | <b>(70,876)</b>   | (53,871)  |
| <b>Net cash generated from/(used in) financing activities</b>          | <b>62,594</b>   | (92,619)  |
| <b>Net decrease in cash and cash equivalents</b>                       | <b>(375,930)</b>  | (1,383,636)   |
| Cash and cash equivalents at beginning of the period                   | <b>1,535,633</b>  | 3,344,391   |
| Exchange loss on cash and cash equivalents                             | <b>(25,547)</b>   | (16,470)  |
| <b>Cash and cash equivalents at end of the period</b>                  | <b>1,134,156</b>  | 1,944,285   |

The notes on pages 10 to 40 form an integral part of this condensed consolidated interim financial information.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 1 GENERAL INFORMATION

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

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 December 2010.

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue on 25 August 2017.

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

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following amendments and interpretations to existing standards that have been issued and effective for annual periods beginning on or after 1 January 2017 with no material impact on the Group’s result of operations and financial position:

|                            |  |
|----------------------------|--|
| HKAS 7 (Amendments)        | Disclosure Initiative                                    |
| HKAS 12 (Amendments)       | Recognition of Deferred Tax Assets for Unrealised Losses |
| Annual Improvement Project | Annual Improvement 2014-2016 Cycle                       |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 3 ACCOUNTING POLICIES (continued)

The following new and amended standards and interpretations to the existing standards that have been issued but are not effective for the financial year beginning on 1 January 2017 with no early adoption:

|                                   |   | <b>Effective for<br/>annual periods<br/>beginning on<br/>or after</b> |
|-----------------------------------|---|---|
| HKFRS 40 (Amendments)             | Transfers of Investment Property  | 1 January 2018  |
| HKFRS 2 (Amendments)              | Classification and Measurement of Share-based Payment Transactions                    | 1 January 2018  |
| HKFRS 9                           | Financial Instruments   | 1 January 2018  |
| HKFRS 15                          | Revenue from Contracts with Customers   | 1 January 2018  |
| HKFRS 15 (Amendments)             | Clarifications to HKFRS 15  | 1 January 2018  |
| HK (IFRIC) Int-22                 | Foreign Currency Transactions and Advance Consideration                               | 1 January 2018  |
| HKFRS 4 (Amendments)              | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract                | 1 January 2018  |
| Annual Improvement Project        | Annual Improvement 2014-2016 Cycle  | 1 January 2018  |
| HKFRS 16                          | Leases  | 1 January 2019  |
| HK (IFRIC) Int-23                 | Uncertainty over Income Tax Treatments  | 1 January 2019  |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined  |

Management is in the process of making an assessment of the impact of these standards, amendments and interpretations to existing standards and is not yet in a position to state whether they will have a significant impact on the Group's result of operations and financial position.

### **HKFRS 9, "Financial instruments"**

HKFRS 9 "Financial instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and financial liabilities.

### 3 ACCOUNTING POLICIES *(continued)*

#### **HKFRS 9, “Financial instruments”** *(continued)*

There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. For trade receivables, contract assets and lease receivables, a simplified approach can be selected by the Group to measure the lifetime expected credit losses.

HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the “hedged ratio” to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not plan to early adopt this standard.

#### **HKFRS 15, “Revenue from contracts with customers”**

HKFRS 15 “Revenue from contracts with customers” replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 3 ACCOUNTING POLICIES *(continued)*

### HKFRS 16, “Leases”

HKFRS 16 “Leases” addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on the consolidated statements of financial position for lessees. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statements of financial position. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group’s consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

The Group is a lessee of various properties which are currently classified as operating leases. As at 30 June 2017, the Group’s total operating lease commitments amounted to HK\$22,589,000. The new standard will therefore result in an increase in assets and financial liabilities in the Group’s consolidated statements of financial position upon adoption. As for the financial performance impact in the Group’s consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group’s profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 4 ESTIMATES

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

## 5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2016.

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

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

### 5.2 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available. Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities except bank borrowings.

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

|   | On<br>demand<br>HK\$'000 | Within<br>one year<br>HK\$'000 | Between<br>one and<br>two years<br>HK\$'000 | Between<br>two and<br>five years<br>HK\$'000 | Over<br>5 years<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------|--------------------------------|---|--|-----------------------------|-------------------|
| <b>At 30 June 2017</b>                          |                          |                                |   |  |                             |                   |
| Trade and bill payables                         | -                        | 510,753                        | -   | -  | -                           | 510,753           |
| Accruals and other payables                     | -                        | 389,684                        | -   | 264,833                                      | -                           | 654,517           |
| Borrowings and interest<br>payables (Note)      | 892,042                  | 1,050                          | 1,050                                       | 22,050                                       | -                           | 916,192           |
|   | <b>892,042</b>           | <b>901,487</b>                 | <b>1,050</b>                                | <b>286,883</b>                               | <b>-</b>                    | <b>2,081,462</b>  |
| <b>At 31 December 2016</b>                      |                          |                                |   |  |                             |                   |
| Trade and bill payables                         | -                        | 176,563                        | -   | -  | -                           | 176,563           |
| Accruals and other payables                     | -                        | 413,516                        | -   | 264,833                                      | -                           | 678,349           |
| Bank borrowings and interest<br>payables (Note) | 657,722                  | 122,064                        | -   | -  | -                           | 779,786           |
|   | 657,722                  | 712,143                        | -   | 264,833                                      | -                           | 1,634,698         |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

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

### 5.2 Liquidity risk (continued)

Note:

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

|                                       | On demand<br>HK\$'000 | Within one year<br>HK\$'000 | Between one and two years<br>HK\$'000 | Between two and five years<br>HK\$'000 | Over 5 years<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|-----------------------|-----------------------------|---------------------------------------|--|--------------------------|-------------------|
| <b>At 30 June 2017</b>                |                       |                             |                                       |  |                          |                   |
| Trade and bill payables               | –                     | 510,753                     | –                                     | –                                      | –                        | 510,753           |
| Accruals and other payables           | –                     | 389,684                     | –                                     | 264,833                                | –                        | 654,517           |
| Borrowings and interest payables      | –                     | 800,360                     | 6,685                                 | 38,955                                 | 84,491                   | 930,491           |
|                                       | –                     | 1,700,797                   | 6,685                                 | 303,788                                | 84,491                   | 2,095,761         |
| <b>At 31 December 2016</b>            |                       |                             |                                       |  |                          |                   |
| Trade and bill payables               | –                     | 176,563                     | –                                     | –                                      | –                        | 176,563           |
| Accruals and other payables           | –                     | 413,516                     | –                                     | 264,833                                | –                        | 678,349           |
| Bank borrowings and interest payables | –                     | 794,222                     | –                                     | –                                      | –                        | 794,222           |
|                                       | –                     | 1,384,301                   | –                                     | 264,833                                | –                        | 1,649,134         |

### 5.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (Level 3).



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

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

The following table presents the Group's assets/liability that are measured at fair value at 30 June 2017 and 31 December 2016:

|  | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| <b>At 30 June 2017</b>   |                     |                     |                     |                   |
| Assets   |                     |                     |                     |                   |
| Financial assets at fair value<br>through profit or loss           | 758,618             | 23,280              | –                   | 781,898           |
| Available-for-sale financial assets                                | 1,319,399           | –                   | 87,466              | 1,406,865         |
|  | <b>2,078,017</b>    | <b>23,280</b>       | <b>87,466</b>       | <b>2,188,763</b>  |
| Liability  |                     |                     |                     |                   |
| Put option liability in relation to<br>acquisition of subsidiaries | –                   | –                   | 257,159             | 257,159           |
| <b>At 31 December 2016</b>   |                     |                     |                     |                   |
| Assets   |                     |                     |                     |                   |
| Financial assets at fair value<br>through profit or loss           | 725,621             | 23,280              | –                   | 748,901           |
| Available-for-sale financial assets                                | 931,311             | –                   | 55,466              | 986,777           |
|  | 1,656,932           | 23,280              | 55,466              | 1,735,678         |
| Liability  |                     |                     |                     |                   |
| Put option liability in relation to<br>acquisition of subsidiaries | –                   | –                   | 257,159             | 257,159           |

In 2017, there were no transfers of financial assets between Level 1, Level 2 and Level 3.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

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

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

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

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

| Description     | Fair value at 30 June 2017 (HK\$'000) | Valuation technique(s)   | Unobservable inputs | Relationship of unobservable inputs to fair value    |
|-----------------|---------------------------------------|--|---------------------|--|
| Equity security | 20,005                                | Market comparable approach using equity allocation method                                  | Volatility          | The higher the volatility, the higher the fair value |
| Equity security | 27,027                                | Market comparable approach using equity allocation method                                  | Volatility          | The higher the volatility, the higher the fair value |
| Equity security | 8,434                                 | Combination of cost approach and market comparable approach using equity allocation method | Volatility          | The higher the volatility, the higher the fair value |
| Equity security | 32,000                                | Market comparable approach using equity allocation method                                  | Volatility          | The higher the volatility, the higher the fair value |

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

### 5.6 Group's valuation processes

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

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

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

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

## 6 SEGMENT INFORMATION

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

In order to broaden the source of income and offer better returns to Shareholders, the Board has adopted property development and investments as one of the principal business activities of the Group during the six months ended 30 June 2017. The adoption of this new segment resulted in a change in the presentation of information reviewed by the CEO. The investment properties previously presented as unallocated segment asset is now presented as segment asset under the Property Investment and Development Segment. The Directors will seek investment and development opportunities in the property market in Hong Kong and in the PRC so as to better utilise the existing resources of the Group to maximise return to the Shareholders, broaden the income source and improve the financial position of the Group.

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

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

The CEO assesses the performance of the operating segments based on a measure of operating profit, which is in a manner consistent with that of the condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 6 SEGMENT INFORMATION (continued)

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

|                                     | Six months ended 30 June 2017 |                       |                                 | Six months ended 30 June 2016 |                       |                                 |
|-------------------------------------|-------------------------------|-----------------------|---------------------------------|-------------------------------|-----------------------|---------------------------------|
|                                     | Total segment revenue         | Inter segment revenue | Revenue from external customers | Total segment revenue         | Inter segment revenue | Revenue from external customers |
|                                     | HK\$'000                      | HK\$'000              | HK\$'000                        | HK\$'000                      | HK\$'000              | HK\$'000                        |
|                                     | (Unaudited)                   | (Unaudited)           | (Unaudited)                     | (Unaudited)                   | (Unaudited)           | (Unaudited)                     |
| Automation                          | 275,064                       | -                     | 275,064                         | 264,124                       | -                     | 264,124                         |
| Financial Services                  | 66,007                        | (972)                 | 65,035                          | 1,199                         | -                     | 1,199                           |
| Manufacturing                       | 15,753                        | -                     | 15,753                          | 21,698                        | -                     | 21,698                          |
| Property Investment and Development | 13,445                        | (4,274)               | 9,171                           | -                             | -                     | -                               |
| Securities Investment               | (27,462)                      | -                     | (27,462)                        | 41,444                        | -                     | 41,444                          |
| <b>Total</b>                        | <b>342,807</b>                | <b>(5,246)</b>        | <b>337,561</b>                  | <b>328,465</b>                | <b>-</b>              | <b>328,465</b>                  |

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

|                                     | Six months ended 30 June 2017 | Six months ended 30 June 2016 |
|-------------------------------------|-------------------------------|-------------------------------|
|                                     | HK\$'000                      | HK\$'000                      |
|                                     | (Unaudited)                   | (Unaudited)                   |
| <b>Operating profit/(loss)</b>      |                               |                               |
| Automation                          | 12,095                        | 11,053                        |
| Financial Services                  | 22,692                        | 1,010                         |
| Manufacturing                       | (6,424)                       | (23,985)                      |
| Property Investment and Development | 70,349                        | -                             |
| Securities Investment               | 13,569                        | 32,565                        |
| <b>Total</b>                        | <b>112,281</b>                | <b>20,643</b>                 |
| <b>Unallocated</b>                  |                               |                               |
| Other gain — net                    | 27,038                        | 10,855                        |
| Other income                        | 7,313                         | 3                             |
| Administrative expenses             | (10,946)                      | (16,427)                      |
| Finance (costs)/income — net        | (1,218)                       | 14,661                        |
| Share of losses of associates       | (3,373)                       | (157)                         |
| <b>Profit before income tax</b>     | <b>131,095</b>                | <b>29,578</b>                 |

## 6 SEGMENT INFORMATION *(continued)*

Certain other gain – 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 and share of losses of associates are not allocated to segments, as these type of activities are managed by the central finance and accounting function, which manages the working capital of the Group.

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

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|--|---|
| <b>Segment assets</b>                                 |  |   |
| Automation  | <b>351,029</b>   | 366,135   |
| Financial Services                                    | <b>1,658,816</b>   | 1,356,026   |
| Manufacturing   | <b>108,456</b>   | 134,876   |
| Property Investment and Development                   | <b>1,715,340</b>   | 1,594,810   |
| Securities Investment                                 | <b>2,518,942</b>   | 1,753,390   |
| Segment assets for reportable segments                | <b>6,352,583</b>   | 5,205,237   |
| <b>Unallocated</b>                                    |  |   |
| Property, plant and equipment                         | <b>378,920</b>   | 371,495   |
| Available-for-sale financial assets                   | <b>217,885</b>   | 170,280   |
| Investments in associates                             | <b>5,300</b>   | 82,207  |
| Prepayments, deposits and other receivables           | <b>8,955</b>   | 4,245   |
| Current income tax recoverables                       | <b>1,327</b>   | 1,651   |
| Held-to-maturity investment                           | <b>–</b>   | 25,000  |
| Financial assets at fair value through profit or loss | <b>23,280</b>  | 23,280  |
| Cash and cash equivalents                             | <b>511,762</b>   | 1,023,169   |
|   | <b>1,147,429</b>   | 1,701,327   |
| Assets classified as held-for-sale                    | <b>84,994</b>  | 99,176  |
| Total assets  | <b>7,585,006</b>   | 7,005,740   |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 6 SEGMENT INFORMATION (continued)

The information provided to the CEO with respect to total assets are measured in a manner consistent with that of the annual consolidated financial statements for the year ended 31 December 2016. Segment assets represented property, plant and equipment, loans and advances, client trust bank balances, investment properties, available-for-sale financial assets, intangible assets, trade receivables, prepayments, deposits and other receivables, cash and cash equivalents, goodwill, inventories, held-to-maturity investment and financial assets at fair value through profit or loss attributable to various reportable segments.

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

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

During the six months ended 30 June 2017, the Group incurred expenditures of approximately HK\$10,289,000 (six months ended 30 June 2016: HK\$3,113,000) and HK\$2,064,000 (six months ended 30 June 2016: HK\$Nil) on property, plant and equipment and investment properties, respectively and no expenditures incurred on intangible assets (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2017, the Group has recorded a fair value gain on investment properties of approximately HK\$66,979,000 (six months ended 30 June 2016: HK\$Nil).

Bank borrowings are secured by property, plant and equipment and investment properties with a carrying amount of HK\$365,735,000 (31 December 2016: HK\$268,636,000) (Note 15).

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

|                 | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|-----------------|--|---|
| Listed shares   | <b>1,319,399</b>   | 931,311   |
| Unlisted shares | <b>87,466</b>  | 55,466  |
|                 | <b>1,406,865</b>   | 986,777   |

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

**At 30 June 2017:**

|                               | Stock Code | Location of the stock exchange | Type of shares   | Number of shares held | % of shareholding | HK\$'000        |
|-------------------------------|------------|--------------------------------|------------------|-----------------------|-------------------|-----------------|
| <u>Listed securities:</u>     |            |                                |                  |                       |                   |                 |
| IDEX ASA                      | IDEX       | Norway                         | Ordinary         | 17,215,872            | 3.17%             | 128,344         |
| Bio-key International Inc.    | BKYI       | USA                            | Ordinary         | 88,875                | 1.61%             | 2,076           |
| China Zheshang Bank Co., Ltd. |            |                                |                  |                       |                   |                 |
| — H Shares                    | 2016.HK    | Hong Kong                      | Ordinary         | 207,760,000           | 5.47%             | 864,282         |
| Bank of Zhengzhou Co., Ltd.   |            |                                |                  |                       |                   |                 |
| — H Shares                    | 6196.HK    | Hong Kong                      | Ordinary         | 72,802,000            | 4.80%             | 324,697         |
|                               |            |                                |                  |                       |                   | 1,319,399       |
| <u>Unlisted securities:</u>   |            |                                |                  |                       |                   |                 |
| Powermat Technologies Ltd.    | N/A        | Israel                         | Preferred Shares | 114,957               | 2.09%             | 20,005          |
| Keyssa Inc.                   | N/A        | USA                            | Ordinary         | 2,511,954             | 7.43%             | 27,027          |
| Kili Technology Corporation   | N/A        | Canada                         | Ordinary         | 2,472,320             | 15.48%            | 8,434           |
| CVP Financial Holding Limited | N/A        | Hong Kong                      | Ordinary         | 1,066                 | 10.66%            | 32,000          |
|                               |            |                                |                  |                       |                   | 87,466          |
|                               |            |                                |                  |                       |                   | Total 1,406,865 |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

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

### At 31 December 2016:

|   | Stock Code | Location of the stock exchange | Type of shares   | Number of shares held | % of shareholding | HK\$'000 |
|---|------------|--------------------------------|------------------|-----------------------|-------------------|----------|
| <u>Listed securities:</u>                   |            |                                |                  |                       |                   |          |
| IDEX ASA                                    | IDEX       | Norway                         | Ordinary         | 18,130,974            | 3.41%             | 112,986  |
| Bio-key International Inc.                  | BKYI       | USA                            | Ordinary         | 88,875                | 1.61%             | 1,828    |
| China Zheshang Bank Co., Ltd.<br>— H Shares | 2016.HK    | Hong Kong                      | Ordinary         | 207,760,000           | 5.47%             | 816,497  |
|   |            |                                |                  |                       |                   | 931,311  |
| <u>Unlisted securities:</u>                 |            |                                |                  |                       |                   |          |
| Powermat Technologies Ltd.                  | N/A        | Israel                         | Preferred Shares | 114,957               | 2.09%             | 20,005   |
| Keyssa Inc.                                 | N/A        | USA                            | Ordinary         | 2,511,954             | 7.43%             | 27,027   |
| Kili Technology Corporation                 | N/A        | Canada                         | Ordinary         | 2,472,320             | 15.48%            | 8,434    |
|   |            |                                |                  |                       |                   | 55,466   |
|   |            |                                |                  |                       | Total             | 986,777  |

Certain unlisted securities of aggregated carrying amount of HK\$87,466,000 (2016: HK\$55,466,000) are measured at fair value determined by using discounted cash flow approaches which are not based on observable inputs.

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

At the end of reporting period, the Group's available-for-sale financial assets were individually reviewed for impairment by management. There was no provision for impairment recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 and 2016.

Listed securities of aggregated carrying amount of HK\$864,282,000 (2016: HK\$816,497,000) have been pledged to a bank to secure bank borrowings (Note 15).



## 9 LOANS AND ADVANCES

|                                     | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|-------------------------------------|--|---|
| Loans and advances (Note (a))       | <b>606,341</b>   | 575,711   |
| Margin loans receivables (Note (b)) | <b>331,683</b>   | 411,894   |
|                                     | <b>938,024</b>   | 987,605   |

Notes:

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

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

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

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

As at 30 June 2017, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of HK\$3,736,517,000 (2016: HK\$2,362,564,000).

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

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 10 TRADE RECEIVABLES

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|--|---|
| Trade receivables                             | <b>253,445</b>   | 240,298   |
| Less: Provision for impairment on receivables | <b>(3,017)</b>   | (2,501)   |
| Trade receivables — net                       | <b>250,428</b>   | 237,797   |
| Less: non-current portion                     | <b>(10,047)</b>  | (3,377)   |
| Current portion                               | <b>240,381</b>   | 234,420   |

As at 30 June 2017, trade receivables of HK\$3,017,000 (2016: HK\$2,501,000) were impaired and provided for amounts due from these customers were aged over 120 days.

The Group generally grants a credit period of 30 days to 90 days to its customers. For customers of automation products, a credit period ranging from 30 days to 60 days after acceptance is granted. For customers of financial services, loan agreements are signed and contain a repayable on demand clause which gives the Group the unconditional right to call the loan at any time. The amounts receivable are classified as on demand. The ageing analysis of trade receivables based on invoice date is as follows:

|                  | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|------------------|--|---|
| <b>On demand</b> |  |   |
| 0 to 30 days     | <b>157,533</b>   | 123,266   |
| 31 to 60 days    | <b>30,960</b>  | 37,477  |
| 61 to 90 days    | <b>14,474</b>  | 14,703  |
| 91 to 120 days   | <b>15,211</b>  | 6,885   |
| Over 120 days    | <b>35,267</b>  | 57,967  |
|                  | <b>253,445</b>   | 240,298   |

## 11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|--|---|
| Utilities and other deposits                            | <b>9,160</b>   | 7,897   |
| Value-added tax recoverables                            | <b>9,108</b>   | 4,472   |
| Escrow account receivables                              | <b>–</b>   | 504   |
| Consultancy fee income receivables                      | <b>15,080</b>  | 15,092  |
| Receivables from disposal of investment in an associate | <b>69,170</b>  | –   |
| Dividend receivables                                    | <b>36,421</b>  | –   |
| Prepayment for purchase of inventories                  | <b>3,704</b>   | 571   |
| Receivables from patent licensing                       | <b>3,394</b>   | –   |
| Prepayment for property acquisition                     | <b>6,500</b>   | –   |
| Others  | <b>7,400</b>   | 5,497   |
|   | <b>159,937</b>   | 34,033  |
| Less: non-current portion                               | <b>(6,500)</b>   | –   |
| Current portion   | <b>153,437</b>   | 34,033  |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

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

|                                 | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---------------------------------|--|---|
| <u>Listed securities:</u>       |  |   |
| – Equity securities – China     | <b>149,810</b>   | 39,619  |
| – Equity securities – Hong Kong | <b>608,808</b>   | 686,002   |
|                                 | <b>758,618</b>   | 725,621   |
| Other securities                | <b>23,280</b>  | 23,280  |
|                                 | <b>781,898</b>   | 748,901   |

### At 30 June 2017

|                                       | Stock Code | Location of<br>the stock<br>exchange | Type of shares                     | Number of<br>shares held | % of<br>shareholding | HK\$ '000 |
|---------------------------------------|------------|--------------------------------------|------------------------------------|--------------------------|----------------------|-----------|
| <u>Listed securities:</u>             |            |                                      |                                    |                          |                      |           |
| Shanghai Tunnel Engineering Co., Ltd. | 600820.SH  | China                                | Ordinary                           | 2,416,284                | 0.32%                | 129,379   |
| Yang Guang Co., Ltd.                  | 000608.SZ  | China                                | Ordinary                           | 11,467,982               | 0.36%                | 20,431    |
|                                       |            |                                      |                                    |                          |                      | 149,810   |
| Madison Wine Holdings Ltd.            | 8057       | Hong Kong                            | Ordinary                           | 194,280,000              | 4.86%                | 464,330   |
| Huabang Financial Holdings Ltd.       | 3638       | Hong Kong                            | Ordinary                           | 268,356,000              | 6.96%                | 100,634   |
| Others listed securities              |            |                                      |                                    |                          |                      | 43,844    |
|                                       |            |                                      |                                    |                          |                      | 608,808   |
| <u>Other securities:</u>              |            |                                      |                                    |                          |                      |           |
| Bio-key International, Inc            | BKYI       | USA                                  | Convertible<br>Preferred<br>Shares | 30,000                   |                      | 23,280    |
|                                       |            |                                      |                                    |                          |                      | Total     |
|                                       |            |                                      |                                    |                          |                      | 781,898   |

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

### At 31 December 2016

|                                    | Stock Code | Location of the stock exchange | Type of shares               | Number of shares held | % of shareholding | HK\$ '000 |
|------------------------------------|------------|--------------------------------|------------------------------|-----------------------|-------------------|-----------|
| Listed securities:                 |            |                                |                              |                       |                   |           |
| Yang Guang Co., Ltd.               | 000608.SZ  | China                          | Ordinary                     | 3,722,584             | 0.50%             | 39,569    |
| Shenzhen Kondarl (Group) Co., Ltd. | 000048.SZ  | China                          | Ordinary                     | 1,101                 | 0.00%             | 50        |
|                                    |            |                                |                              |                       |                   | 39,619    |
| Madison Wine Holdings Ltd.         | 8057       | Hong Kong                      | Ordinary                     | 194,280,000           | 4.86%             | 411,874   |
| Huabang Financial Holdings Ltd.    | 3638       | Hong Kong                      | Ordinary                     | 356,088,000           | 9.23%             | 188,726   |
| New Sports Group Ltd.              | 299        | Hong Kong                      | Ordinary                     | 483,870,967           | 2.40%             | 51,290    |
| Qianhai Health Holdings Ltd.       | 911        | Hong Kong                      | Ordinary                     | 222,000,000           | 1.39%             | 32,190    |
| Others listed securities           |            |                                |                              |                       |                   | 1,922     |
|                                    |            |                                |                              |                       |                   | 686,002   |
| Other securities:                  |            |                                |                              |                       |                   |           |
| Bio-key International, Inc         | BKYI       | USA                            | Convertible Preferred Shares | 30,000                |                   | 23,280    |
|                                    |            |                                |                              |                       |                   |           |
|                                    |            |                                |                              |                       | Total             | 748,901   |

## 13 SHARE CAPITAL AND PREMIUM

|  | Number of shares (thousands) | Share capital HK\$'000 | Share premium HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------|------------------------|----------------|
| At 1 January 2016                                    | 21,548,598                   | 2,154,860              | 2,054,151              | 4,209,011      |
| Shares issued (Note)                                 | 600,000                      | 60,000                 | 348,000                | 408,000        |
| At 31 December 2016, 1 January 2017 and 30 June 2017 | 22,148,598                   | 2,214,860              | 2,402,151              | 4,617,011      |

Note: On 14 September 2016, the Group entered into the placing agreement, pursuant to which the investors agreed to subscribe for 600,000,000 new shares ("Share placement"). The share placement was completed on 20 October 2016. The shares were issued at a price of HK\$0.68 per share for a total cash consideration of HK\$408,000,000.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 14 ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

As at 31 December 2015, the assets and liabilities related to Charming Lion Limited, World Fair International Limited and Heshan World Fair Electronics Technology Limited (collectively known as “Charming Lion Group”), wholly-owned subsidiaries of the Group, have been presented as held-for-sale following the approval of the Group’s management to sell Charming Lion Group.

During the six months ended 30 June 2017, the Group’s management has refined the disposal plan and identified the specified assets and liabilities to be classified as held-for-sale as disclosed below. As a result, certain assets had been reclassified from ‘assets of disposal group classified as held-for-sale’ back to the Group.

The Group will continue to engage in manufacturing business subsequent to the sale of Charming Lion Group.

### (a) Assets of Charming Lion Group classified as held-for-sale

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$’000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$’000<br>(Audited) |
|---|--|---|
| Property, plant and equipment               | <b>52,189</b>  | 65,569  |
| Land use right                              | <b>4,575</b>   | 4,575   |
| Deferred income tax assets                  | <b>1,089</b>   | 1,089   |
| Prepayments, deposits and other receivables | <b>–</b>   | 716   |
| Inventories                                 | <b>27,141</b>  | 27,227  |
| Total                                       | <b>84,994</b>  | 99,176  |

### (b) Liabilities of Charming Lion Group classified as held-for-sale

|                                 | <b>As at<br/>30 June<br/>2017<br/>HK\$’000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$’000<br>(Audited) |
|---------------------------------|--|---|
| Trade payables                  | <b>5,020</b>   | 6,943   |
| Accruals and other payables     | <b>6,889</b>   | 5,360   |
| Deferred income tax liabilities | <b>98</b>  | 181   |
| Current income tax liabilities  | <b>5,020</b>   | 4,846   |
| Total                           | <b>17,027</b>  | 17,330  |

## 15 BORROWINGS

|                               | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|-------------------------------|--|---|
| <b>Non-current</b>            |  |   |
| Corporate bonds               | <b>21,172</b>  | –   |
| <b>Current</b>                |  |   |
| Bank loans, secured           | <b>797,665</b>   | 681,050   |
| Trust receipts loans, secured | <b>94,377</b>  | 98,522  |
|                               | <b>892,042</b>   | 779,572   |
| Total borrowings              | <b>913,214</b>   | 779,572   |

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

|                            | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|----------------------------|--|---|
| Within one year            | <b>785,012</b>   | 779,572   |
| Between one and two years  | <b>5,635</b>   | –   |
| Between two and five years | <b>38,077</b>  | –   |
| Over five years            | <b>84,490</b>  | –   |
|                            | <b>913,214</b>   | 779,572   |

Bank borrowings are secured by corporate guarantees provided by the Company and certain of its subsidiaries, property, plant and equipment and investment properties (Note 7) and available-for-sale financial assets (Note 8).

As at 30 June 2017 and 31 December 2016, the Group has not breached any of the banking facilities.

During the period ended 30 June 2017, the Company issued bonds with aggregated amount of HK\$ 21,000,000 (2016: HK\$Nil) to several independent third parties with 5% coupon rates per annum, payable in 3 years from the respective issue dates. The amounts of bonds repayable at their maturities are disclosed in Note 5.2.

The fair values of the bonds as at 30 June 2017 amounted to approximately HK\$21,172,000 (2016: HK\$Nil).

The carrying amounts of bonds are denominated in Hong Kong dollars.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 16 TRADE AND BILLS PAYABLES

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

|                | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|----------------|--|---|
| 0 to 30 days   | 479,268  | 98,059  |
| 31 to 60 days  | 2,936  | 20,953  |
| 61 to 90 days  | 10,076   | 8,248   |
| 91 to 120 days | 4,083  | 8,487   |
| Over 120 days  | 14,390   | 40,816  |
|                | <b>510,753</b>   | 176,563   |

## 17 ACCRUALS AND OTHER PAYABLES

|  | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|--|--|---|
| <b>Current</b>   |  |   |
| Salary and wages payables  | 8,646  | 8,109   |
| Accrued operating expenses   | 11,650   | 10,381  |
| Advance receipts from customers  | 6,809  | 7,127   |
| Provision for value-added tax and other taxes<br>in the People's Republic of China ("PRC") | 2,116  | 7,057   |
| Commission payables  | 1,093  | 1,557   |
| Interest payables  | –  | 861   |
| Payables for acquisition of subsidiaries   | 206,400  | 200,256   |
| Deposits received  | 18,072   | 8,349   |
| Payables for construction costs of investment properties                                   | 100,175  | 137,152   |
| Other accruals and other payables  | 34,723   | 32,667  |
|  | <b>389,684</b>   | 413,516   |
| <b>Non-current</b>   |  |   |
| Put option liability in relation to acquisition<br>of subsidiaries                         | 257,159  | 257,159   |
|  | <b>646,843</b>   | 670,675   |



## 18 OTHER GAIN — NET AND OTHER INCOME

|  | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|--|---|---|
| <b>Other gain/(loss) — net</b>                           |   |   |
| Reversal of provision                                    | 1,920   | —   |
| Gain on disposal of investment in an associate (Note)    | 24,974  | —   |
| Impairment loss on other receivables                     | (657)   | —   |
| Gains on disposal of available-for-sale financial assets | 895   | 10,629  |
| Impairment loss on goodwill                              | —   | (1,500)   |
| Others   | (86)  | 226   |
|  | <b>27,046</b>   | 9,355   |
| <b>Other income</b>                                      |   |   |
| Dividend income  | 59,416  | —   |
| Patent's license income                                  | 3,394   | —   |
| Others   | 5,840   | 320   |
|  | <b>68,650</b>   | 320   |

Note:

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

## 19 OPERATING PROFIT

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

|   | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|---|---|---|
| Amortisation of intangible assets                           | 3,484   | 1,532   |
| Depreciation of property, plant and equipment               | 5,573   | 279   |
| (Gain)/loss on disposal of property, plant and equipment    | (2,473)   | 289   |
| Transaction cost in relation to acquisition of a subsidiary | —   | 660   |
| Provision for impairment on trade receivables               | 516   | —   |

For the six months ended 30 June 2017, no work in progress and finished goods are considered as obsolete (for the six months ended 30 June 2016: Nil).

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 20 FINANCIAL (COSTS)/INCOME — NET

|   | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|---|---|---|
| Finance income  |   |   |
| — Interest income on bank deposits                      | <b>6,871</b>  | 8,244   |
| — Interest income on loan to an independent third party | —   | 6,887   |
|   | <b>6,871</b>  | 15,131  |
| Finance costs   |   |   |
| — Bank loans  | <b>(7,187)</b>  | (451)   |
| — Trust receipt loans                                   | <b>(730)</b>  | (19)  |
| — Corporate bonds                                       | <b>(172)</b>  | —   |
|   | <b>(8,089)</b>  | (470)   |
| Finance (costs)/income — net                            | <b>(1,218)</b>  | 14,661  |

## 21 INCOME TAX EXPENSE

|                               | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|-------------------------------|---|---|
| Current income tax            |   |   |
| — Hong Kong profits tax       | <b>9,249</b>  | 3,136   |
| — Overseas and PRC income tax | <b>860</b>  | 313   |
|                               | <b>10,109</b>   | 3,449   |
| Deferred income tax           | <b>15,753</b>   | 11,164  |
|                               | <b>25,862</b>   | 14,613  |

## 21 INCOME TAX EXPENSE *(continued)*

### Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (for the six months ended 30 June 2016: 25%).

## 22 EARNINGS PER SHARE

### (a) Basic

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

|  | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>(Unaudited) |
|--|--|---|
| Profit attributable to equity holders of the Company<br>(HK\$'000)   | <b>89,860</b>  | 14,851  |
| Weighted average number of ordinary shares in issue<br>(thousands)   | <b>22,148,598</b>  | 21,548,598  |
| Basic earnings per share (expressed in Hong Kong<br>cents per share) | <b>0.41</b>  | 0.07  |

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 22 EARNINGS PER SHARE (continued)

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

|  | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>(Unaudited) |
|--|--|---|
| <b>Earnings</b>  |  |   |
| Profit attributable to equity holders of the Company<br>(HK\$'000)                       | <b>89,860</b>  | 14,851  |
| <b>Weighted average number of ordinary shares in issue<br/>(thousands)</b>               | <b>22,148,598</b>  | 21,548,598  |
| Adjustments for:   |  |   |
| — Share options (thousands)  | <b>767</b>   | 1,007   |
| Weighted average number of ordinary shares for diluted<br>earnings per share (thousands) | <b>22,149,365</b>  | 21,549,605  |
| Diluted earnings per share (expressed in Hong Kong<br>cents per share)                   | <b>0.41</b>  | 0.07  |

## 23 DIVIDEND

|   | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|---|---|---|
| 2016 final dividend paid — HK\$0.32 (2015: HK\$0.25)<br>cents per share | <b>70,876</b>   | 53,871  |

No interim dividend was declared by the board of directors for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

## 24 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:

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|--|---|
| Not later than one year                           | <b>9,748</b>   | 5,776   |
| Later than one year and not later than five years | <b>12,841</b>  | 350   |
|   | <b>22,589</b>  | 6,126   |

## Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

### 24 OPERATING LEASE COMMITMENTS (continued)

#### The Group as lessor

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

|   | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|---|--|---|
| Not later than one year                           | <b>22,210</b>  | 13,218  |
| Later than one year and not later than five years | <b>35,509</b>  | 33,726  |
|   | <b>57,719</b>  | 46,944  |

### 25 CAPITAL COMMITMENTS

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

|                               | <b>As at<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | As at<br>31 December<br>2016<br>HK\$'000<br>(Audited) |
|-------------------------------|--|---|
| Property, plant and equipment | <b>3,754</b>   | 2,066   |
| Investment properties         | <b>180,977</b>   | 145,035   |
| Investment in a subsidiary    | –  | 4,716   |

## 26 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

### (a) Key management compensation

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

|   | <b>Six months<br/>ended<br/>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | Six months<br>ended<br>30 June<br>2016<br>HK\$'000<br>(Unaudited) |
|---|---|---|
| Directors' fees   | <b>1,128</b>  | 1,054   |
| Basic salaries, housing allowances, other allowances and benefits in kind | <b>2,183</b>  | 1,107   |
| Contributions to pension plans  | <b>63</b>   | 9   |
|   | <b>3,374</b>  | 2,170   |

## 27 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 of Hong Kong Limited (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.

# Notes to the Condensed Consolidated Interim Financial Information (continued)

For the six months ended 30 June 2017

## 27 SHARE-BASED PAYMENTS (continued)

No movements in the number of share options outstanding and their related exercise prices are as follows:

|                               | <b>Exercise price<br/>in HK\$ per<br/>share option</b> | <b>Options<br/>(thousands)</b> |
|-------------------------------|--|--------------------------------|
| At 1 January and 30 June 2017 | 0.42   | 2,000                          |

All outstanding options were exercisable upon the Date of Grant. No option was exercised during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

The fair value of options granted were 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 is 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 has a trading history shorter than the life of the options, volatility was calculated with reference to comparable companies listed in Hong Kong and in the same industry as the Company.

No share option expenses were recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

## 28 SUBSEQUENT EVENTS

On 4 August 2017, the Group entered into a sale and purchase agreement with 萊華商置有限公司 (for identification only, Lai Hua Properties and Investment Limited), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell all the equity interests of 萊華泰盛有限公司 (for identification only, LaiHua TaiSheng Limited) at a consideration of RMB1,720,000,000 (equivalent to approximately HK\$1,997,659,600). The transaction constitutes a major transaction for the Company.





# Management Discussion and Analysis

## OVERVIEW

Development efforts made by the Group in the first half of 2017 continued to yield good results, as profits of the Group in the first half of 2017 significantly increased approximately six times to HK\$105.2 million.

Following the launch of the Shanghai-Hong Kong Stock Connect in 2014 and the Shenzhen-Hong Kong Stock Connect last year, the launch of Bond Connect in the first half of 2017 presented the Hong Kong capital market with yet more opportunities. With a knowledgeable and aggressive management team, China Goldjoy has transformed and diversified its business to include high-value service operations that promise abundant business opportunities. The Group's shares are included in a number of HSI constituent stocks, and also as one of the stocks eligible for trading under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect schemes. Moreover, it has officially been included as a constituent stock of the MSCI Hong Kong Small Cap Index since 1 June 2017, clearly demonstrating its market recognition.

During the first half of 2017, the Group has principally been engaged in the Automation, Financial Services, Manufacturing, Property Investment and Development, and Securities Investment business segments.

## BUSINESS REVIEW

### Automation

During the period under review, the Automation segment saw a stable increase in revenue of 4.2% to HK\$275.1 million (30 June 2016: HK\$264.1 million), accounting for 81.5% of the Group's total revenue (30 June 2016: 80.4%). The increase was mainly attributable to the robust development of the smart phone and semiconductor industry in the PRC.

### Financial Services

Revenue from the Financial Services segment during the first half of 2017 increased significantly to HK\$65.0 million (30 June 2016: HK\$1.2 million), contributing 19.3% of the Group's total revenue (30 June 2016: 0.4%). The notable increase was due to the consolidation of the financial statements of Goldjoy Holding Limited ("Goldjoy Holding"), an 80%-owned financial services platform, into the Group, after the completion of the acquisition and two rounds of financing in the second half of 2016.

Through its subsidiaries, Goldjoy Holding holds major financial service licences under the Securities and Futures Ordinance ("SFO"), namely 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), for regulated activities. It also provides loan and credit financing services in Hong Kong and is capable of conducting businesses in 99%-Gold, HK Dollar, Kilobar, London Gold, London Silver etc., and has obtained the Private Equity Fund Manager License in Mainland China. Goldjoy Holding offers comprehensive financial services to its clients and creates better synergies from cross-selling and boasts a comprehensive platform offering clients convenient access to different financial services.



## Management Discussion and Analysis (continued)

During the period under review, the income from the commission and handling fees of brokerage service of the Group has remained steady. The Group is adopting a multi-channel, multi-form marketing approach to increase the number of customers and promote the continuous increase of customer assets.

As the increase in capital had enhanced the lending capacity of the Group, coupled with the active development of customers, revenues of the lending and financing business of the Group have grown rapidly. The Group continues to strengthen risk control, exercise prudent management and maintain the steady development of the lending and financing business.

China Goldjoy Asset Management Limited (“China Goldjoy Asset Management”) has set up three new private funds during the period under review. These three private funds have adopted various investment strategies to match the risk tolerance levels of different investors. Apart from promoting product diversification, the Group’s asset management arm has also actively looked for local and overseas partners in developing the fund management business.

Apart from the Hong Kong financial market, the Group also strives to capture the enormous growth potential in the foreign and domestic financial markets alike. China Goldjoy Investment Limited, which wholly owns Shanghai Hunlicar Investment Management Company Limited (“Hunlicar Capital”), has set up four private equity investment (“PE”) funds during the period under review. Currently operating five equity investment funds, Hunlicar Capital is one of the few equity investment fund management enterprises in Mainland China active in different asset categories including bonds, currencies, shares, commodities and derivatives.

During the first half of 2017, the Group has managed a total of 11 funds in Hong Kong and Mainland China. In addition, Goldjoy Holding has also obtained the QFLP license in the Qianhai free trade zone in Shenzhen during the period under review and has extended its asset management business to equity investment management.

Since obtaining the Type 6 License in January 2017 to the end of the first half of the year, China Goldjoy Securities Limited (“China Goldjoy Securities”) has completed a number of transactions in the field of equities and debt capital markets, investment and provision of equity loans, so as to increase new profit growth points for the Group.

### Manufacturing

The high-end Manufacturing of the Group developed, as the Group had exited all its low-margin and low value-added electronic manufacturing business. Thus, inevitably, revenue from the Manufacturing segment decreased by 27.2%, to HK\$15.8 million (30 June 2016: HK\$21.7 million), accounting for 4.7% of the Group’s total revenue (30 June 2016: 6.6%). However, the management believes the transformation was necessary and is conducive to the Group’s long-term sustainable development, as evidenced by the narrowing loss incurred by the segment.

At the same time, the Group is also actively seeking opportunities in manufacturing transformation and upgrading, as well as supply-side reform in order to step into the high end manufacturing industry with high added value. Currently, the manufacturing business comprises light-emitting diode (“LED”) manufacturing, research & development, and installation (the “LED lighting business”) with revenue mainly coming from 深圳寶耀科技有限公司 (for identification only, Shenzhen Bao Yao Technology Co., Limited) (“Shenzhen Bao Yao”) and its subsidiary. Though the revenue from the LED lighting business which is at its early stage of development is not significant at the moment, the management sees huge growth potential in that business.

### Properties Investment and Development

In recent years, the Group has been active in identifying suitable property investment and development opportunities in Hong Kong and Mainland China.

In 2016, the Group acquired 75.5% equity interest of 深圳邦凱新能源有限公司 (for identification only, Shenzhen B&K New Energy Co., Ltd.) (“Shenzhen B&K”). Apart from providing the Group with additional resources to develop its LED lighting business, and strengthening its research and development capacity, Shenzhen B&K also offers an opportunity to engage in the property investment business in Mainland China. Shenzhen B&K holds a piece of land (the “Land”) with an area of approximately 120,000 square meters in the core area of Guangming New District in Shenzhen. Construction of properties of approximately 100,000 square meters on the Land was completed and the remaining undeveloped land has been reserved for the development of a science and technology industrial park.

The Group has acquired several properties in Admiralty, Hong Kong in November and December 2016. Part of the acquired spaces are being used as the head office of the Group and offices of its subsidiaries, and the rest are for investment purposes. In view of the prime location and continuous market demand in Grade A office buildings in Hong Kong, the investment properties are expected to bring an impressive return on investment to the Group. With property investment added as a principal business activity, the Group is searching for suitable properties around the world for investment purposes.

### Securities Investment

The Securities Investment segment consisting of investment in listed shares within both Hong Kong and Mainland China, recorded a loss of HK\$27.5 million (30 June 2016: gain of HK\$41.4 million). Despite the decrease in investment revenues, the dividend income from the segment increased by HK\$52.2 million as compared with the same period of last year.

### Investment and Partnership

As innovative technology is set to become one of the driving forces of tomorrow’s economy, the Group is continuing the strategy of investing in various top-notch industry-leading technology companies, particularly those specializing in biometric security, wireless data transmission and communications technologies. The Group also maintains its focus on investment opportunities in innovation technology industries within both domestic and foreign markets. Also, to capture development opportunities in financial services enterprises within Mainland China with outstanding prospects, the Group has also invested in domestic financial institutions.

#### (a) Listed Companies

As of 30 June 2017, the Group held shares in the following listed technology companies: 1) BIO-key International, Inc. (NASDAQ:BKYI), a U.S. public company specializing in advanced biometric solutions, which was previously listed on the OTCQB and since 25 July 2017 on the Nasdaq Capital Market; and 2) IDEX ASA (IDEX:OSL), a Norwegian company that develops and sells information technology products and is listed on the Oslo Axess market of the Oslo Stock Exchange.

As a long-term investment, the Group held approximately 5.47% and 1.16% of the total H Shares and total issued shares respectively of China Zheshang Bank Co., Ltd. (HKEX: 2016) and approximately 4.8% and 1.4% of the total H Shares and total issued shares respectively of Bank of Zhengzhou Co. Ltd. (HKEX: 6196) as of 30 June 2017.

## Management Discussion and Analysis (continued)

### (b) Unlisted Companies

As of 30 June 2017, the Group held shares in the following unlisted companies: 1) Kili Technology Corporation, a Canadian privately-held technology company primarily engaged in authentication in civilian markets and secure payment software technology; 2) Keyssa Inc., a U.S. privately-held company that develops wireless technology for data transfer; and 3) Powermat Technologies Ltd., a U.S. privately-held company which provides wireless power solutions to consumers, OEMs and public places.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2017 increased by 2.8% to approximately HK\$337.6 million (2016: HK\$328.4 million). The revenue analysis by segment is shown below:

|                                     | 30 June 2017  |                             | 30 June 2016  |                             | % change |
|-------------------------------------|---------------|-----------------------------|---------------|-----------------------------|----------|
|                                     | HK\$' million | Proportion to total revenue | HK\$' million | Proportion to total revenue |          |
| Automation                          | 275.1         | 81.5%                       | 264.1         | 80.4%                       | 4.2%     |
| Financial Services                  | 65.0          | 19.3%                       | 1.2           | 0.4%                        | 5,316.7% |
| Manufacturing                       | 15.8          | 4.7%                        | 21.7          | 6.6%                        | (27.2%)  |
| Property Investment and Development | 9.2           | 2.7%                        | –             | –                           | N/A      |
| Securities Investment               | (27.5)        | (8.2%)                      | 41.4          | 12.6%                       | (166.4%) |
|                                     | <b>337.6</b>  | <b>100%</b>                 | 328.4         | 100%                        | 2.8%     |

The increase in revenue during the period under review was mainly attributable to the increased revenue from the newly added Financial Services segment and offset by the decrease in revenue from the Securities Investment segment. The Automation segment continued to be the major revenue source of the Group, accounting for 81.5% of the total revenue. The Group completed transforming its business by eliminating the low-margin and low value-adding electronic manufacturing business, and introduced the LED lighting business only in the second quarter of 2016. Thus, the revenue contribution from the manufacturing segment remained small.

### Gross Profit and Margin

Gross profit and margin for the period decreased by 14.2% to approximately HK\$80.0 million (2016: HK\$93.2 million), and to 23.7% (2016: 28.4%), respectively, mainly in relation to decrease in fair value of securities investment and offset by the increase in gross profit and margin from the Financial Services segment.

### **Other Gains – Net**

The net other gains increased by HK\$17.7 million as compared with the corresponding period in 2016, mainly due to the gain in disposal of an associated entity amounted to HK\$25.0 million.

### **Other Income**

The other income increased to approximately HK\$68.7 million (2016: HK\$0.3 million), mainly due to the dividend income of HK\$59.4 million from available-for-sale investments.

### **Distribution Costs**

Distribution costs increased to approximately HK\$11.8 million (2016: HK\$10.3 million), approximately 3.5% (2016: 3.1%) in proportion to total revenue. The increase was mainly due to the increase in commission paid to sales agent in the Automation segment as compared with the corresponding period in 2016.

### **Administrative Expenses**

Administrative expenses increased to approximately HK\$95.2 million (2016: HK\$77.5 million), mainly in relation to (i) increase in staff salary and directors' emoluments by HK\$13.0 million caused by business expansion; and (ii) increase in depreciation and utilities by HK\$5.3 million and HK\$2.5 million caused by self-used offices and workshops, respectively.

### **Finance (Costs)/Income – Net**

Net finance costs was approximately HK\$1.2 million (2016 net finance income: HK\$14.7 million). The change primarily resulted from an increase in bank borrowings as compared with the corresponding period in 2016.

### **Income Tax Expense**

Income tax expense increased by approximately 77.0% to approximately HK\$25.9 million (2016: HK\$14.6 million) due to the increase in taxable profits.

### **Profit for the Period**

Profit for the first half of 2017 increased significantly to approximately HK\$105.2 million (2016: HK\$15.0 million). The increase was primarily attributed to (i) an increase in fair value gain of the investment properties, (ii) an increase in dividend income from investments, (iii) the gain in the disposal of an associated entity amounted to approximately HK\$25.0 million, (iv) an increase in profit generated by the Financial Services segment, (v) reduced loss incurred by the Manufacturing segment, and partially offset by the decrease in profit generated by the Securities Investment segment and increase in the net finance costs.

## **FINANCIAL RESOURCES REVIEW**

### **Liquidity, Financial Resources and Debt Structure**

Adopting a conservative financial management approach, the Group continued to maintain a healthy and solid liquidity position. As at 30 June 2017, the Group's cash and cash equivalents totalled approximately HK\$1,134.2 million (31 December 2016: HK\$1,535.6 million). Working capital represented by net current assets amounted to approximately HK\$2,002.6 million (31 December 2016: HK\$2,338.7 million). Current ratio was approximately 2.1 (31 December 2016: 2.7).



## Management Discussion and Analysis (continued)

Borrowings of the Group as at 30 June 2017 included corporate bonds of approximately HK\$21.2 million (31 December 2016: Nil), trust receipt loans of approximately HK\$94.4 million (31 December 2016: HK\$98.5 million) and bank loans of approximately HK\$797.7 million (31 December 2016: HK\$681.1 million). These bank borrowings were secured by corporate guarantees provided by the Company and certain of its subsidiaries and secured by building and listed securities with carrying amount of approximately HK\$365.7 million and HK\$864.3 million respectively. The Group was in a net cash position of approximately HK\$220.9 million as at 30 June 2017 (31 December 2016: HK\$756.1 million).

### Capital Commitments

As at 30 June 2017, the Group had contracted but not provided for capital commitments of HK\$2,182.4 million (31 December 2016: HK\$151.8 million), and did not have any authorised but not contracted for capital commitments (31 December 2016: Nil).

### Currency Exposure and Management

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

As the production of the manufacturing segment and automation business activities are mainly undertaken in Mainland China, most costs and overheads are denominated in Renminbi. As such, fluctuation of the Renminbi will have an impact on the Group's profitability. The Group will closely monitor movements of Renminbi and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the period under review, the Group had not entered into any foreign exchange forward contracts.

### Future plans for capital investment and expected source of funding

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

## EMPLOYEES

As at 30 June 2017, the Group had approximately 540 full-time employees mainly in Hong Kong and Mainland China (31 December 2016: 400).

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

## BUSINESS OUTLOOK

With the business transformation completed, the Group will pursue the strategy of diversifying its business and developing value-added businesses at full strength. Towards this end, it will actively seek suitable investment opportunities that can benefit the long-term development of the Group.

To capture the enormous growth potential in the financial services market in the Greater China region, greater efforts will be committed to expanding the number of high-end customers, enriching and optimizing its business portfolio, enhancing sales and trading capacity, and providing customers with more comprehensive financial services under the premise of controlling risk and focusing on compliance.

The Group has an experienced management team, and is actively developing an assets management and wealth management business in Hong Kong and Mainland China. The Group is devoting greater effort in the operation of issued fund products, enhancing the investment and R&D capabilities of financial products, and continuing to diversify its product portfolio and expand local and overseas cooperation opportunities. In view of the fact that it has become a qualified foreign institutional investor, the Group plans to set up its first equity investment fund in Shenzhen during the second half of 2017. This fund is investing in intelligent manufacturing, biomedicine and other emerging industries for providing overseas investors with a channel to participate in equity investment in Mainland China.

To satisfy the different needs of clients, the Group's wealth management arm will further enhance its service quality, as well as its product development and risk management capabilities. It will provide extensive training to both frontline and back office staff and introduce MPF, insurance service and immigration consulting services to fulfil clients' needs. It will also recruit more senior compliance personnel to enhance its internal risk surveillance and monitoring system to ensure compliance with the standards prescribed by regulatory authorities in Hong Kong.

The Group is also allocating greater resources to the financing services business of institutional clients. As the management sees the potential of the bond market to enable it to better serve its corporate and government clients in Mainland China and Hong Kong, the Group has built a team of professionals in the debt capital market to develop such related services. The Group is committed to creating a competitive investment banking team and will cater closely to customers' needs to provide services in equity & debt financing and mergers & acquisitions transactions.

Regarding the Automation segment, in order to better serve customers and broaden profitability, the Group's wholly-owned subsidiary Gallant Tech Limited ("Gallant Tech") has also actively explored the new business direction of combining the leasing industry and financial market, and providing the financial leasing services of high-end manufacturing and large-scale equipment through its Shenzhen Gallant Tech Finance Leasing Co., Limited. This initiative is aimed at continuing to speed up developing the equipment finance leasing business in order to diversity its revenue stream. In addition, Gallant Tech also is monitoring investment opportunities in smart manufacturing and smart production systems, with the aim of enhancing its competitiveness in the industry.

Since 2016, the Group has been directing efforts into establishing the new energy business including but not limited to LED lighting. Apart from the LED light installation work that the Group is currently engaged in within the private sector, it has been actively seeking opportunities in LED lighting projects within the public sector in Mainland China. Boasting leading-edge research and development and manufacturing capabilities, the Group plans to expand this business into overseas markets and is studying the feasibility of setting up a factory in India.

As it has implemented a diversified development strategy in recent years, the Group has been looking for property investment opportunities in major cities and regions with development potential, so as to seize the business opportunities in the booming real estate market. With the properties of Phase I currently operating and leasing and Phase II with construction in progress, the entire science and technology industrial park on the land owned by Shenzhen B&K is expected to be completed by the end of 2018.

Following the acquisition of a number of properties since 2016, the Group is optimistic about the real estate market prospects in Hong Kong and Mainland China and the Board believes it is appropriate that the Company adopt property investment and development as one of its principal business activities. On 4 August 2017, the Group has entered into an agreement to acquire LaiHua TaiSheng Limited (“LaiHua TaiSheng”) at a consideration of RMB1,720,000,000. Laihua Taisheng is a company that is principally engaged in real estate property sales and development, and holds a property development project, “世紀城” (Century Plaza\*) (the “project”), located at Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC (江西省贛州市章江新區) with a total gross area of 128,461.20 sq.m. and saleable area of 635,071.78 sq.m. It is expected that the Group will benefit from the sale and leasing of the properties and the anticipated growth in the value of the project. Meanwhile, the Group continues to evaluate investment and development opportunities in the property markets within the PRC and Hong Kong.

Based on the macroeconomic figures of the first half of 2017, as the global economy as well as that of China continued to grow, the Group is therefore positive about the capital market in the rest of the year and will continue to look for investment opportunities in financial services, properties investment and development, and the high-end manufacturing industry, as well as new energy and new technologies so as to generate optimum returns for shareholders.





## Other Information

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: HK\$Nil cents per share).

### PURCHASE, SALE OR REDEMPTION OR CONVERSION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

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

As of 30 June 2017, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

#### Long positions in shares and underlying shares of the Company

| Name of director                  | Capacity and nature of interests   | Number of shares held | Approximate percentage of shareholding |
|-----------------------------------|------------------------------------|-----------------------|--|
| Mr. Yao Jianhui <sup>(Note)</sup> | Interest in controlled corporation | 10,771,835,600        | 48.63%                                 |
|                                   | Beneficial owner                   | 35,968,000            | 0.16%                                  |

Note:

Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,771,835,600 shares in the Company. Mr. Yao also directly holds 35,968,000 shares in the Company.

Save as disclosed above, as of 30 June 2017, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the six months ended 30 June 2017.

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

As of 30 June 2017, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

#### Long position in the shares and underlying shares of the Company

| Name of substantial shareholders                                   | Capacity and nature of interests | Number of shares held | Approximate percentage of shareholding |
|--|----------------------------------|-----------------------|--|
| Tinmark Development Limited  | Beneficial owner                 | 10,771,835,600        | 48.63%                                 |
| Horizon Best Limited   | Securities interest in Shares    | 2,970,000,000         | 13.41%                                 |
| 前海人壽保險股份有限公司   | Beneficial owner                 | 4,219,560,000         | 19.05%                                 |
| Taiping Assets Management (HK) Company Limited <sup>(Note 1)</sup> | Investment Manager               | 4,219,560,000         | 19.05%                                 |

Note 1:

Taiping Assets Management (HK) Company Limited as the investment manager of these shares is also deemed to be interested in such Shares.

Save as disclosed above, as of 30 June 2017, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

## 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.

As of the date of this report, the total number of shares of the Company available for issue under the Scheme is 2,203,339,810, representing approximately 9.95% 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,

## Other Information (continued)

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

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

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

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

Details of the share options as at 30 June 2017 which have been granted under the scheme are as follows:

|                  | Number of options (in thousands) |                               |   |                                 | Held at<br>30 June<br>2017 | Exercise<br>price<br>per share<br>HK\$ | Exercisable period              |
|------------------|----------------------------------|-------------------------------|---|---------------------------------|----------------------------|--|---------------------------------|
|                  | Held at<br>1 January<br>2017     | Granted<br>during<br>the year | Cancelled/<br>lapsed/<br>during<br>the year | Exercised<br>during<br>the year |                            |  |                                 |
| <b>Employees</b> | 2,000                            | –                             | –   | –                               | 2,000                      | 0.420                                  | 17 June 2013 to<br>16 June 2023 |
| <b>Total</b>     | 2,000                            | –                             | –   | –                               | 2,000                      | 0.420                                  |                                 |

## CHANGES TO THE DIRECTORS OF THE BOARD

Subsequent to 30 June 2017, there had been the following changes to the Directors of the Board:

- (1) Mr. Shao Zuosheng resigned as an executive Director, the senior vice president of the Company and a member of each of the strategy committee and investment committee of the Board with effect from 13 July 2017; and
- (2) Mr. Zhang Chi was appointed as an executive Director and a member of each of the strategy committee and investment committee of the Board with effect from 13 July 2017.

The biographical details of the directors and senior management of the Company are set out in the Company's website.

## **CORPORATE GOVERNANCE**

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules, except that there is no separation of the roles of Chairman and Chief Executive Officer as stipulated in the code provision A2.1 of the CG code. 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the directors of the Company. All directors of the Company have confirmed that throughout the six months ended 30 June 2017, they have complied with the provisions of the Model Code.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION**

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the financial information of the Group for the six months ended 30 June 2017. The consolidated financial information for the six months ended 30 June 2017 have been reviewed by the Company’s independent auditor, PricewaterhouseCoopers.

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 4 August 2017, the Group entered into a sale and purchase agreement with 萊華商置有限公司 (for identification only, Lai Hua Properties and Investment Limited) (“Lai Hua”), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell all the equity interests of 萊華泰盛有限公司 (for identification only, LaiHua TaiSheng Limited) at a consideration of RMB1,720,000,000 (equivalent to approximately HK\$1,997,659,600). The transaction constitutes a major transaction for the Company.

### APPRECIATION

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

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

Hong Kong, 25 August 2017