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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01282)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of China Goldjoy Group Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for 2017.

FINANCIAL HIGHLIGHTS

	FY2018	FY2017	Change
Revenue *(HK$' million)*	**1,582.6**	2825.3	-44.0%
Gross profit *(HK$' million)*	**519.4**	871.3	-40.4%
EBITDA *(HK$' million) (Note 1)*	**960.1**	1099.0	-12.6%
EBIT *(HK$' million) (Note 2)*	**879.1**	1059.2	-17.0%
Net profit attributable to owners of the Company *(HK$' million)*	**670.8**	869.2	-22.8%
EPS *(HK cents)*			
— Basic	**2.60**	3.90	-33.3%
— Diluted	**2.60**	3.90	-33.3%
Dividend per share *(HK cent)*			
— Final	**0.20**	0.51	-60.8%
	As at 31.12.2018	As at 31.12.2017	
Net asset value *(HK$' million)*	**6,964.8**	7,769.4	-10.4%
Net asset value per share *(HK$)*	**0.27**	0.31	-12.9%
Cash and cash equivalents *(HK$' million)*	**907.1**	2,231.4	-59.3%
Borrowings *(HK$' million)*	**1,686.4**	625.9	+269.4%
Gearing ratio (%) *(Note 3)*	**24.21%**	8.06%	+200.4%

Notes:

1. EBITDA is calculated at profit before income tax subtracted by finance income — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries) and adding back depreciation of property, plant and equipment, amortisation of intangible assets and amortisation of land use right.
2. EBIT is calculated at profit before income tax subtracted by finance income — net (excluding adjustment of put option liability in relation to acquisition of a subsidiary).
3. Gearing ratio is calculated at borrowings divided by net asset value.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*3*	**1,582,581**	2,825,287
Cost of sales	*5*	**(1,063,217)**	(1,954,011)
Gross profit		**519,364**	871,276
Other (losses)/gains — net	*4*	**(35,597)**	4,563
Other income	*4*	**56,569**	115,284
Gain on bargain purchase from acquisition of a subsidiary		**44,042**	208,012
Gain on bargain purchase from acquisition of an associate		**344,877**	–
Fair value gain on investment properties		**255,733**	123,409
Distribution costs	*5*	**(38,593)**	(28,823)
Administrative expenses	*5*	**(295,872)**	(240,319)
Operating profit		**850,523**	1,053,402
Finance (costs)/income — net	*6*	**(56,100)**	10,673
Share of results of associates		**15,089**	(3,460)
Provision for impairment of investment in an associate		**–**	(5,212)
Profit before income tax		**809,512**	1,055,403
Income tax expense	*7*	**(133,916)**	(161,512)
Profit for the year		**675,596**	893,891
Profit attributable to:			
Owners of the Company		**670,827**	869,170
Non-controlling interests		**4,769**	24,721
		675,596	893,891
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gain/(loss) on available-for-sale financial assets, net of tax		**–**	76,874
Currency translation differences		**(234,985)**	140,661
Share of other comprehensive income of associates		**(30,422)**	–
Item that will not be reclassified to profit or loss:			
Net change in fair value of equity investments designated in fair value through other comprehensive income		**(2,051,800)**	–
Other comprehensive income for the year`		**(2,317,207)**	217,535
Total comprehensive income for the year		**(1,641,611)**	1,111,426
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,632,515)**	1,054,955
Non-controlling interests		**(9,096)**	56,471
		(1,641,611)}	1,111,426
Earnings per share for profit attributable to owners of the Company	*8*		
— basic		**HK2.60 cents**	HK3.90 cents
— diluted		**HK2.60 cents**	HK3.90 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**409,910**	433,258
Prepaid land lease payments		**4,839**	4,105
Investment properties		**3,082,784**	2,447,232
Intangible assets		**189,087**	194,670
Investments in associates		**1,154,558**	–
Available-for-sale financial assets	*10(a)*	**–**	1,534,850
Financial assets at fair value through other comprehensive income	*10(b)*	**903,857**	–
Deferred tax asset		**–**	9,194
Trade receivables	*12*	**–**	8,341
Finance lease receivables		**91,394**	104,382
Deposits and other receivables		**24,275**	–
		5,860,704	4,736,032
Current assets			
Inventories		**42,081**	55,512
Properties under development		**863,272**	524,212
Completed properties held for sale		**353,118**	698,267
Loans and advances	*11*	**960,394**	892,904
Trade receivables	*12*	**154,417**	356,123
Finance lease receivables		**44,244**	19,789
Prepayments, deposits and other receivables		**207,684**	276,383
Current tax recoverables		**–**	10,270
Held-to-maturity investment		**–**	60,000
Financial assets at fair value through profit or loss	*13*	**982,589**	952,960
Contract assets		**37,224**	–
Client trust bank balances		**261,084**	101,031
Restricted cash		**67,893**	46,154
Time deposit over three months		**39,350**	–
Cash and cash equivalents		**907,123**	2,231,369
		4,920,473	6,224,974
Total assets		**10,781,177**	10,961,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As of 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
EQUITY			
Owner's equity attributable to the Company's equity holders			
Share capital		**2,586,981**	2,467,933
Reserves		**3,715,486**	4,777,982
		6,302,467	7,245,915
Non-controlling interests		**662,287**	523,466
Total equity		**6,964,754**	7,769,381
LIABILITIES			
Non-current liabilities			
Other payables		**–**	77,364
Borrowings		**31,847**	207,962
Deferred tax liabilities		**320,543**	283,647
		352,390	568,973
Current liabilities			
Trade and bills payables	*14*	**779,925**	737,629
Accruals and other payables		**637,512**	1,382,774
Borrowings		**1,654,504**	417,903
Current tax liabilities		**100,654**	84,346
Contract liabilities		**291,438**	–
		3,464,033	2,622,652
Total liabilities		**3,816,423**	3,191,625
Total equity and liabilities		**10,781,177**	10,961,006

NOTES

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These financial statements have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 27 March 2019.

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

2.1 Adoption of new or revised HKFRSs

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

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

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

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

(i) *Classification and measurement of financial instruments*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

— Financial assets at amortised cost; and

— Contract assets.

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

Measurement of ECLs

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

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

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

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

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

Presentation of ECLs

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

Impact of the ECL model

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

	Impairment allowance under HKAS 39	**Additional ECL recognised at 1 January 2018**	**Impairment allowance under HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000*
Loans and advances	–	3,295	3,295
Trade receivables	3,017	4,599	7,616
Contract assets	–	514	514
Total	3,017	8,408	11,425

The adjustment on the opening retained earnings as at 1 January 2018 amounted to HK$7,749,000.

(iii) Transition

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

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

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

Timing of revenue recognition

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

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

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

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

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

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

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

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

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

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

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

Presentation of contract assets and liabilities

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

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

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

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

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

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

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

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

Transition

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

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

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

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

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

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

HKFRS 16 — Leases

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

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

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

3 SEGMENT INFORMATION

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

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

— Automation segment represents the trading of automated production related equipment and provision of related services business;

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

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

— Property Investment and Development segment represents the properties investment activities and property development project in Hong Kong and the People's Republic of China (the "PRC");

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

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

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

The Group's revenue by segment is as follows:

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

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

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

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

The assets are reconciled to total assets as follows:

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

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

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

Reportable segments liabilities are reconciled to total liabilities as follows:

	2018	2017
	HK$'000	*HK$'000*
Segment liabilities		
Automation	**175,051**	198,704
Financial Services	**745,807**	511,170
Manufacturing	**49,840**	58,049
Property Investment and Development	**1,887,701**	1,490,028
Securities Investment	**336,371**	82,318
Segment liabilities for reportable segments	**3,194,770**	2,340,269
Unallocated:		
Accruals and other payables	**12,720**	353,995
Borrowings	**436,202**	315,967
Current tax liabilities	**93,128**	84,346
Deferred tax liabilities	**79,603**	97,048
Total liabilities	**3,816,423**	3,191,625

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

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

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

The Group's revenue derived from external customers located in Hong Kong, the PRC and the United States of America ("USA"), is HK$187,042,000 (2017: HK$180,294,000), HK$1,382,618,000 (2017: HK$2,145,897,000) and Nil (2017: HK$439,000) respectively. The remaining balances of the Group's revenue represented securities trading in Financial Services segment and Securities Investment segment.

The total amount of non-current assets other than financial assets at FVOCI, deferred tax asset, trade receivables, finance lease receivables, deposits and other receivables located in the PRC and Hong Kong is HK$3,116,338,000 (2017: HK$2,573,651,000) and HK$1,724,840 (2017: HK$505,614,000) respectively.

4 OTHER (LOSSES)/GAINS — NET AND OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Other (losses)/gains — net		
Gain on disposal of available-for-sale financial assets	**–**	809
Gain on disposal of partial interest of an associate	**1,285**	–
Provision for impairment of available-for-sale financial assets	**–**	(4,434)
Loss on conversion of a financial asset at fair value through profit or loss from preference shares to ordinary shares	**(7,156)**	–
(Loss)/gain on disposal of subsidiaries	**(6,347)**	1,300
Gain on disposal of an associate *(Note)*	**–**	24,974
Provision on impairment of loans and advances	**(25,000)**	(27,160)
Gain on disposal of property, plant and equipment	**1,621**	9,074
	(35,597)	4,563
Other income		
Dividend income	**20,069**	59,950
Consultancy fee income	**–**	32,239
Sub-licensing income	**1,677**	6,530
Write back of trade and other payables	**3,315**	2,342
Others	**31,508**	14,223
	56,569	115,284

Note: On 29 June 2017, the Group disposed all equity its 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 a gain on disposal of HK$24,974,000 during the year ended 31 December 2017.

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Employee benefit expenses	**164,850**	133,377
Directors' emoluments	**7,213**	6,972
Cost of inventories	**511,957**	635,971
Cost of properties sold	**481,121**	1,282,343
Write–down of inventories to net realisable value	**7,113**	–
Provision for impairment of trade receivables	**4,522**	516
Provision for impairment of other receivables	**496**	27,160
Provision for impairment of loans and advance	**29,067**	–
Reversed on impairment loss on contract assets	**(327)**	–
Auditor's remuneration		
— Audit services	**3,631**	3,548
— Non–audit services	**845**	2,988
Depreciation of property, plant and equipment	**17,418**	32,592
Amortisation of intangible assets	**7,317**	6,989
Amortisation of prepaid land lease payments	**138**	232
Operating lease rentals — office premises, factory and warehouse	**18,991**	13,159
Research and development expenses	**3,713**	5,468
Net foreign exchange gains	**(187)**	(4,856)
Gain on bargain purchase from acquisition of subsidiaries *(Note 15)*	**(44,042)**	(208,012)
Gain on bargain purchase from acquisition of an associate	**(378,586)**	–

6 FINANCE (COSTS) INCOME — NET

	2018 HK$'000	2017 HK$'000
Finance income:		
— Interest income on bank deposits	**8,909**	6,678
— Interest income on held–to–maturity investment	**178**	3,945
— Adjustment on put option liability in relation to acquisition of subsidiaries	**–**	14,426
— Finance lease income	**–**	5,486
Finance income	**9,087**	30,535
Finance costs:		
— Bank loans	**(65,904)**	(18,207)
— Interests on loans from related parties	**(3,596)**	–
— Trust receipt loans	**(2,317)**	(1,655)
— Corporate bonds	**(5,230)**	–
— Adjustment on put option liability in relation to acquisition of subsidiaries	**(4,413)**	–
Finance costs	**(81,460)**	(19,862)
Less: Amount capitalised to investment properties under development and properties under development for sale	**16,273**	–
Finance costs charged to consolidated statement of comprehensive income	**(65,187)**	(19,862)
Finance (costs)/income, net	**(56,100)**	10,673

7 INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax		
— Hong Kong profits tax	**22,638**	74,774
— PRC income tax	**142,466**	95,489
— PRC land appreciation tax	**22,579**	16,927
	187,683	187,190
Over-provision in prior years	**(1,711)**	(3,553)
	185,972	183,637
Deferred tax	**(52,056)**	(22,125)
	133,916	161,512

Provision for income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2017: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (2017: 25%). A 5% withholding income tax is also imposed on dividends relating to profits remitted from the subsidiaries in the PRC.

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

8 EARNINGS PER SHARE

(a) Basic

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

	2018 *HK$'000*	2017 *HK$'000*
Profit attributable to owners of the Company *(HK$'000)*	**670,827**	869,170
Weighted average number of ordinary shares in issue *(thousands)*	**25,810,611**	22,310,220
Basic earnings per share *(expressed in HK cents per share)*	**2.60**	3.90

(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 share) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2018 *HK$'000*	2017 *HK$'000*
Profit attributable to owners of the Company *(HK$'000)*	**670,827**	869,170
Weighted average number of ordinary shares in issue *(thousands)*	**25,810,611**	22,310,220
Adjustments for:		
— Share options *(thousands)*	**–**	419
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**25,810,611**	22,310,639
Diluted earnings per share *(expressed in HK cents per share)*	**2.60**	3.90

9 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
2018 proposed final dividend — HK0.20 cent per share	**51,740**	–
2017 final dividend paid — HK0.51 cent per share	**–**	131,936
	51,740	131,936

A final dividend in respect of the financial year ended 31 December 2018 of HK0.20 cent per share (2017: HK0.51 cent per share), amounting to a total dividend of HK$51,740,000 (2017: HK$131,936,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2018 proposed final dividend is based on 25,869,806,100 shares in issue as at 31 December 2018 (2017: 24,679,330,100 shares in issue as at 31 December 2017). These consolidated financial statements do not reflect this dividend payable.

10(a) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Listed shares:		
— Equity securities — Norway	**–**	84,364
— Equity securities — the USA	**–**	1,221
— Equity securities — Hong Kong	**–**	1,242,800
— Equity securities — the PRC	**–**	155,433
	–	1,483,818
Unlisted shares	**–**	51,032
	–	1,534,850

Upon adoption of HKFRS 9 on 1 January 2018, the financial instrument category of available-for-sale financial assets is no longer available. The management has assessed the business models and the contractual terms of the cash flows apply to the financial instruments and reclassified these financial instruments into appropriate HKFRS 9 categories (Note 2.1A).

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

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

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

As at 31 December 2018, certain unlisted securities of aggregated carrying amount of HK$104,848,000 are measured at fair value determined by using backsolve method which are not based on observable inputs.

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

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

11 LOANS AND ADVANCES

	At 31 December 2018 ***HK$'000***	**At 1 January 2018** ***HK$'000*** **(restated)**	At 31 December 2017 *HK$'000*
Loans and advances *(Note (a))*	**412,720**	**475,606**	475,657
Margin loans receivables *(Note (b))*	**547,674**	**414,003**	417,247
	960,394	**889,609**	892,904

Notes:

(a) The loans and advances of approximately HK$409,761,000 (2017: approximately HK$443,123,000) are secured and/or backed by guarantee. Credit limits are set for borrowers based on the quality of collateral held and the financial background of the borrower. Collateral values and overdue balances are reviewed and monitored regularly.

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

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

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

As at 31 December 2018, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of HK$3,315,160,000 (2017: HK$2,121,683,000).

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

12 TRADE RECEIVABLES

	At 31 December 2018	**At 1 January 2018**	At 31 December 2017
	HK$'000	***HK$'000*** **(restated)**	*HK$'000*
Trade receivables	**166,419**	**264,620**	367,481
Less: Provision for impairment of receivables	**(12,002)**	**(7,616)**	(3,017)
Trade receivables — net	**154,417**	**257,004**	364,464
Less: non-current portion	**–**	**(8,299)**	(8,341)
Current portion	**154,417**	**248,705**	356,123

The carrying amounts of trade receivables approximate their fair values.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**82,218**	280,702
31 to 60 days	**15,614**	32,983
61 to 90 days	**26,571**	10,390
91 to 120 days	**27,275**	8,699
Over 120 days	**14,741**	34,707
	166,419	367,481

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December 2018 *HK$'000*	At 1 January 2018 *HK$'000* (restated)	At 31 December 2017 *HK$'000*
Listed securities:			
— Equity securities — the PRC	**10,698**	**58,635**	58,635
— Equity securities — Hong Kong	**827,398**	**496,077**	874,475
	838,096	**554,712**	933,110
Other securities	**551**	**19,850**	19,850
Debt investment at fair value through profit or loss	**143,942**	**–**	–
	982,589	**574,562**	952,960

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

14 TRADE AND BILLS PAYABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade payables	**764,448**	724,612
Bills payables	**15,447**	13,017
	779,925	737,629

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

	2018 *HK$'000*	2017 *HK$'000*
0 to 30 days	**711,508**	699,289
31 to 60 days	**11,993**	7,290
61 to 90 days	**5,785**	8,946
91 to 120 days	**5,337**	6,641
Over 120 days	**45,302**	15,463
	779,925	737,629

15 BUSINESS COMBINATION

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

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

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

A gain on bargain purchase (negative goodwill) of approximately HK$44,042,000 was recorded in consolidated statement of comprehensive income for the year ended 31 December 2018, as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of identifiable assets acquired and liabilities assumed to their fair values with reference to the property valuation report carried out by D&P China (HK) Limited, a division of Duff & Phelps, an independent valuer.

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

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

Acquisition-related costs of Taifeng of HK$1,436,000 have been charged administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2018 contributed by Taifeng was approximately HK$219,071,000.

Had Taifeng been consolidated from 1 January 2018, the consolidated statement of comprehensive income for the year ended 31 December 2018 would show pro-forma revenue of HK$1,582,754,000 and profits for the year of HK$792,271,000.

16 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 29 June 2018, the Group disposed 28% of the issued shares of Golden Affluent Limited, an indirectly wholly-owned subsidiary of the Group which held 80% equity interests of certain subsidiaries conducting financial services business (collectively, "Golden Affluent Group"), for a consideration of HK$168,200,000. The disposal is accounted as an equity transaction with non-controlling interest because the changes in the Group's ownership interest in Golden Affluent Group do not result in a change in control over the Golden Affluent Group. The Group recorded an increase in non-controlling interest of approximately HK$129,449,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$38,751,000 was credited to other reserves.

On 31 August 2018, the Group disposed 30% of the issued shares of Shenzhen Bao Yao Technology Co., Ltd., an indirectly wholly owned subsidiary of the Group which held 100% equity interests of a subsidiary conducting new energy business (collectively, "Bao Yao Group"), for a consideration of RMB30,000,000 (equivalent to approximately HK$34,332,000). The disposal is accounted as an equity transaction with non-controlling interest because the changes in the Group's ownership interest in Bao Yao Group do not result in a change in control over Bao Yao Group. The Group recorded an increase in non-controlling interest of approximately HK$31,485,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$2,847,000 was credited to other reserves.

The Group has non-controlling PRC investors in consolidated investment funds, namely Hunlicar All Weather CTA No.1 Private Equity Investment Fund, Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund, Hunlicar Equity Choice No.1 Private Equity Investment Fund and Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund. The transactions are accounted as an equity transactions with non-controlling interest because the changes in the Group's ownership interests do not result in a change in control over these investment funds during the year. Any gain or loss is recognised in equity. The disposal of equity interests by the holders of the non-controlling interests resulted in a decrease in non-controlling interest of approximately HK$12,358,000 and credit to other reserves of approximately HK$5,772,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2018, the global economic and financial market continued to fluctuate. China's economic slowdown, monetary policy adjustments and Sino-US trade disputes brought uncertainties to the external business environment. In the face of severe external challenges, the Group adopted a prudent and pragmatic strategy, actively seized opportunities, developed in a steady manner and minimized the impact of economic and financial market fluctuations. As at the year ended 31 December 2018, the Group experienced a 44.1% decline in revenue to approximately HK$1,582.6 million and the profit attributable to owner of the Company decrease by 22.8% to HK$670,827 million.

Business Review

Financial Services

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

The commission and service charge of the brokerage business is one of the main sources of income for the Group's financial services. In 2018, the total turnover of the Hong Kong stock market increased. At the same time, the Group actively engaged in marketing activities to attract individual customers and strove to expand institutional customers, therefore, the number of customers and assets continued to increase. As a result of its establishment of a sound relationship with a number of commercial banks in Hong Kong and successful adoption of a strategy to increase the amount of clients' savings, China Goldjoy Securities Limited (中國金洋證券有限公司) ("CGSL"), a non wholly-owned subsidiary of the Company holding licences granted by the Securities and Futures Commission ("SFC") to conduct Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management), managed to increase its capital for securities margin financing business and hence the income generated from margin financing.

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

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

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

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

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

Property Investment and Development

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

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

The Company, through 深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Ltd.*) ("Shenzhen B&K"), a non-wholly owned PRC subsidiary acquired in December 2016, holds a property project in the name of "邦凱城" (Bangkai City*). The project is developed into 3 phases. The first phase has a gross floor area of about 100,000 square metres and contains office premises, factories, apartments, dormitories and shops. As at 31 December 2018, the occupancy rate is 92.0%. The second phase with a gross floor area of about 87,000 square metres contains a 23-storey office building and a hotel with ancillary facilities and has entered the investment stage during the year. The third phase has a planned floor area of about 240,000 square metres. The construction of two multi-storey office buildings and two commercial apartments were commenced in July 2018 and completion is expected to take place in 2021. For the year ended 31 December 2018, Shenzhen B&K recorded a revenue of approximately HK$29.0 million (2017: approximately HK$28.8 million).

The Group acquired two property projects in Ganzhou City, Jiangxi Province, namely "世紀城" (Century Plaza*) and "太古城" (Taigu Plaza*) in 2017 and 2018. These projects comprise residential flats, apartments, shops, car parks, offices premises and a hotel. Given that these projects are closely located, the management could take advantage of the economics of scale to manage them and hence a satisfactory sale and leasing returns as well as appreciation value was achieved. During the review year, these projects contributed combined revenue from the sale of properties of approximately HK$672.0 million (2017: approximately HK$1,390.0 million) and combined revenue from leasing of approximately HK$4.4 million (2017: nil). The Century Plaza shopping mall was successfully opened during the review year with a high occupancy rate and popularity and it has become a representative commercial landmark in Ganzhou City.

In November 2018, the Company, through its wholly-owned subsidiary, completed an acquisition of shares in New Sports Group Limited (新體育集團有限公司) ("NSG", stock code: 00299, together with its subsidiary as the "NSG Group") and as a result of such acquisition, the Group held approximately 29.19% of the total number of NSG shares in issue as at the date of this annual results announcement (the "Announcement"). This acquisition resulted in a gain on bargain purchase from acquisition of an associate of HK$344.9 million being recognised during the year.

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

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

The Group has been devoted to property investment and development in recent years. It has been exploring suitable investment projects in the major cities and potential districts in the PRC. As the Group will become the controlling shareholder of NSG upon completion of the Acquisition of NSG shares, it will have a better and faster access to the information and records possessed by NSG including but not limited to primary information regarding the property market in the PRC. Further, given that the majority of the Group's business operations under the property investment and development segment are based in the PRC and are subject to extensive supervision and regulation by the PRC government, it is expected that the Group will be more responsive to the updates on the laws, regulations and policies regarding the property market in the PRC released by the PRC authorities from time to time.

As at the date of this Announcement, NSG is developing and managing several real estate projects in the PRC and has established a team of specialists containing professional expertise in the aspects of property development and management, legal and compliance, human resource management, marketing, operations, purchase of raw materials, risk management and health and safety. The Group will make reference to the system adopted by NSG and apply the same with its own adjustments to its real estate projects in Shenzhen and Ganzhou.

Major Properties Held by the Group

Property Held for Development and/or Sale:

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

Property Held for Investment:

Location	Status	Leasehold Expiry	Classification	Approximate Gross Floor Area *(sq. m.)*	Group's Interest
No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Under development	2055	Office, Industrial, Dormitory	426,878	75.50%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Completed	2059	Office	4,233	100%
Kennedy Park at Central, No.4 Kennedy Road, Hong Kong	Completed	2895	Residential	1,476	100%
Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Under development	2052	Shopping Mall and Hotel	52,397	100%
Lot Nos. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Under development	2052	Shopping Mall and Hotel	106,080.27	100%
New Material Base, Gonghe Town New Village, Heshan City, Guangdong Province	Completed	2055	Office, Industrial, Dormitory	91,604.41	100%

Automation

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

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

Manufacturing

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

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

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

Securities Investment

During the review year, the Group continued to execute both short-and-long-term strategies to maintain a balanced investment portfolio which enables the enhancement of its financial flexibility and facilitate capital growth. The securities investment business has generated a revenue of approximately HK$30.8 million (2017: approximately HK$530.8 million), accounting for 1.9% (2017: 18.8%) of the total revenue of the Group. Operating profit of the segment amounted to approximately HK$14.0 million (2017: approximately HK$556.2 million).

In light of the stock market volatility last year, the Group has reviewed and adjusted its investment portfolio by the disposal of its shareholding in Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司) (stock code: 06196) and Zhenro Properties Group Limited (正榮地產集團有限公司) (stock code: 06158) and the acquisition of NSG. In 2019, the Group will stay informed and keep up with changes in the stock market so as to minimise risk and maintain a satisfactory result.

As at 31 December 2018, the Group held financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of approximately HK$903.8 million and HK$982.6 million, respectively:

Nature of investments	Notes	Location	As at 31 December 2018 Number of shares held '000	As at 31 December 2018 Percentage to shareholding in such stock %	Fair value/carrying amount As at 31 December 2018 HK$'000	Fair value/carrying amount As at 31 December 2017 HK$'000
Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets						
A. Listed Securities						
China Zheshang Bank Co., Ltd. – H shares		Hong Kong	–	–	**–**	907,911
Bank of Zhengzhou Co., Ltd. – H shares		Hong Kong	–	–	**–**	334,889
Landing International Development Ltd.		Hong Kong	138,283	4.71%	**340,177**	–
Shenzhen Kondarl Group Co., Ltd.		PRC	4,750	1.22%	**98,665**	113,989
Shenzhen Rainbow Fine Chemical Industry Co., Ltd.		PRC	94,121	5.00%	**316,890**	–
Guanghe Landscape Culture Communication Co., Ltd.		PRC	–	–	**–**	41,444
IDEX ASA	*(a)*	Norway	13,777	2.52%	**37,649**	84,364
BIO-key International Inc.	*(b)*	USA	958	7.61%	**5,628**	1,221
B. Unlisted Securities						
Powermat Technologies Ltd.	*(c)*	Israel	115	1.40%	**51,194**	20,005
Keyssa Inc.	*(d)*	USA	2,512	3.72%	**47,671**	27,027
Kili Technology Corporation	*(e)*	Canada	2,472	16.65%	**5,983**	4,000
Total					**903,857**	1,534,850
Financial assets at fair value through profit or loss						
A. Listed Securities						
Madison Holdings Group Ltd.		Hong Kong	194,280	4.86%	**200,108**	332,219
Zhenro Properties Group Ltd.		Hong Kong	103,094	2.50%	**527,841**	–
EJE (Hong Kong) Holdings Ltd.		Hong Kong	248,916	8.61%	**48,787**	–
Landing International Development Ltd.		Hong Kong	–	–	**–**	378,398
B. Funds			–	–	**143,942**	176,957
C. Others			–	–	**61,911**	65,386
Total					**982,589**	952,960

Notes:

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

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

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

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

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

Financial Review

Revenue

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

	2018		2017		
	HK$' million	**Proportion to total revenue**	HK$' million	Proportion to total revenue	% change
Automation	**567.1**	**35.8%**	613.0	21.7%	-7.5%
Financial Services	**178.8**	**11.3%**	145.8	5.2%	+22.6%
Manufacturing	**99.3**	**6.3%**	122.9	4.3%	-19.2%
Property Investment and Development	**706.6**	**44.7%**	1,412.7	49.9%	-50.0%
Securities Investment	**30.8**	**1.9%**	530.9	18.8%	-94.2%
	1,582.6	**100.0%**	2,825.3	100.0%	-44.0%

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

Gross Profit and Margin

Gross profit for the year decreased by 40.8% to approximately HK$519.4 million (2017: approximately HK$876.7 million), while gross profit margin increased to 32.8% (2017: 30.8%). The change was mainly due to the higher gross profit margin of financial services and lower sales in property which had a relatively low gross profit margin.

Other (Losses)/Gains — Net

Net other losses was recognised during the year of approximately HK$35.6 million (2017: net other gains approximately HK$4.6 million), primarily because of impairment loss on loan and advances of approximately HK$25.0 million, loss on disposal of subsidiaries of approximately HK$13.5 million, gain on disposal of partial interest of an associate of approximately HK$1.3 million and gain on disposal of property plant and equipment of approximately HK$1.6 million.

Other Income

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

Distribution Costs

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

Administrative Expenses

Administrative expenses increased by 23.1% to approximately HK$295.9 million (2017: approximately HK$240.3 million owing to increase in staff salaries and directors' emolument by approximately HK$33.1 million due to the expanded company operation; increase in commission by approximately HK$7.6 million; increase in research and development expense of approximately HK$3.7 million; increase in fund management fee of approximately HK$4.0 million and provision for expected credit loss of approximately HK$7.0 million.

Finance (Costs)/Income — Net

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

Income Tax Expense

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

Profit attributable to owners of the Group

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

Financial Resources Review

Liquidity and Financial Resources

By adopting a prudent financial management approach, the Group continued to maintain a healthy financial position with good cash flow. As at 31 December 2018, the Group's cash and cash equivalents totaled approximately HK$907.1 million (2017: approximately HK$2,231.4 million). Working capital represented by net current assets amounted to approximately HK$1,456.4 million (2017: approximately HK$3,602.3 million). Current ratio was approximately 1.4 (2017: approximately 2.4).

Borrowings of the Group as at 31 December 2018 included corporate bonds of approximately HK$177.6 million (2017: approximately HK$31.8 million), trust receipt loans of approximately HK$30.1 million (2017: approximately HK$88.0 million) and bank loans of approximately HK$1,029.3 million (2017: approximately HK$506.1 million), and other loans of approximately HK$479.4 million (2017: nil).

The bank borrowings were secured by corporate guarantees provided by the Company and certain of its subsidiaries and secured by building(s) with carrying amounts of approximately HK$255.9 million and investment properties with carrying amounts of approximately HK$1,216.9 million. As at 31 December 2018, the Group was in a net debt position of approximately HK$779.2 million (2017: net cash position: approximately HK$1,605.5 million).

Capital Commitments

As at 31 December 2018, the Group had contracted but not provided for capital commitments of approximately HK$240.0 million, HK$338.0 million and HK$277.1 million (2017: approximately HK$0.6 million, HK$156.0 million and HK$556.4 million) relating to the investment in an associate; investment properties; and property development expenditures, respectively.

Currency Exposure and Management

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

As the business activities of the Group's manufacturing and automation segments were mainly conducted in the Mainland China, most of the Group's labour costs and manufacturing overheads were settled with the RMB. As such, fluctuation of the RMB exchange rate will have an impact on the Group's profitability. The Group will closely monitor movements of the RMB and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the year, the Group did not enter into any foreign exchange forward contract.

Future Plans for Capital Investment and Expected Source of Funding

The Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow and shareholders equity and bank facilities. The Group expects to have sufficient resources and banking facilities to meet its capital expenditure and working capital requirement.

Employees and Remuneration Policies

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

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

BUSINESS OUTLOOK

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

The Group has actively conducted strategic transformation in recent years, of which vigorous development of finance business is an important component. After years of development, the financial industry layout has been smoothly promoted, and the current financial business has become comparably large. The Group will continue to increase resources in the finance business in the future. In the future, the business structure of the Group will become "financial business is the core and real estate, technology and investment businesses run neck and neck".

Financial services

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

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

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

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

Property investment and development

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

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

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

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

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

Technology

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

Investment

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

Fund raising for future business development

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.20 cent per ordinary share for the year ended 31 December 2018 (2017: HK0.51 cent) to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Monday, 10 June 2019.

Subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Thursday, 30 May 2019, the said final dividend will be paid in cash on or around Wednesday, 26 June 2019. Details of dividend for the year ended 31 December 2018 are set out in Note 9 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual results announcement, the Company maintained a sufficient public float of the issued Shares (i.e. at least 25% of the issued Shares in the public hands) as required under the Listing Rules.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

While the Company endeavours to promote business development and strive for greater rewards for our stakeholders, we acknowledge our corporate social responsibility to share some burden in building the society where our business has been established and thrived. We actively participate in public welfare activities and supports poverty alleviation so as to jointly create a stable and harmonious community environment. In 2018, the Group supported the “ACCA Community Day” for six consecutive years, further demonstrating our dedication to putting words into action and helping the disadvantaged in the community.

The Group is committed to promoting a green office culture within offices, production lines, staff living areas, outdoor lighting, etc. We have installed LED energy-saving lighting to replace the traditional metal halide lamps, which greatly save electricity.

CORPORATE GOVERNANCE

The Company is maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the 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 A.2.1 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 it allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company’s present management structure comprises sufficient number of independent non-executive directors, and thus the Board believes that a balance of power and authority have been and will continue to be maintained.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “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. All Directors have confirmed that throughout the year ended 31 December 2018, they have complied with the provisions of the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference set out in the CG Code. The principal duties of the audit committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises one non-executive Director, namely Mr. Chen Kaiben and two independent non-executive Directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew. The audit committee has reviewed the audited financial statements and this annual results announcement of the Group for the year ended 31 December 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed with the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

On 10 January 2019, Goldjoy Holding as purchaser, entered into the sale and purchase agreements with Ascend Fortune Ventures Limited (財昇創投有限公司) and Merit Faith Ventures Limited (優信創投有限公司) as vendors in relation to the acquisition of 20.0% of the entire issued share capital in each of Affluent Advantage Limited (豐益有限公司), Proficient Power Limited (精威有限公司), Prominent Up Limited (顯昇有限公司), Fast Prestige Limited (捷譽有限公司), Novel Forward Limited (穎進有限公司), Gigantic Increase Limited (鴻增有限公司), Metro Grow Limited (城亮有限公司) and Stellar Result Limited (萃績有限公司) at a total consideration of HK$200.0 million which is subject to adjustments. The completion of these acquisitions took place on 14 January 2019. As at the date of this annual results announcement, the Group has an attributable interest of 77.6% in each of Affluent Advantage, Proficient Power, Prominent Up, Fast Prestige, Novel Forward, Gigantic Increase, Metro Grow and wholly owns Stellar Result.

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company is expected to be held at 11:00 a.m. on Thursday, 30 May 2019 at 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong and notice of the annual general meeting will be published and dispatched to the Shareholders in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The Announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hk1282.com). The 2018 Annual Report will be dispatched to the Shareholders and available on the same websites in due course.

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 extend my 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, 27 March 2019

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Yao Jianhui, Mr. Lau Wan Po, Mr. Li Minbin, Mr. Huang Wei and Mr. Zhang Chi; one non-executive Director, namely Mr. Chen Kaiben; and three independent non-executive Directors, namely Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung.

* *For identification purpose only*