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# 寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “**Board**” or the “**Director(s)**”) of Glory Sun Financial Group Limited (the “**Company**”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020.

### FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 June		
	2021	2020	% change
	(Unaudited)	(Unaudited)	
Revenue (HK\$' million)	3,973.5	2,684.1	+48.0%
EBITDA (HK\$' million) <sup>(Note 1)</sup>	497.1	57.7	+761.5%
EBIT (HK\$' million) <sup>(Note 2)</sup>	455.9	9.2	+4,855.4%
Profit attributable to owners of the Company (HK\$' million)	170.1	104.9	+62.2%
EPS (HK cents)			
— Basic and diluted	0.54	0.35	+54.3%
	As at	As at	
	30 June	31 December	
	2021	2020	% change
	(Unaudited)	(Audited)	
Net asset value (HK\$' million)	11,466.1	10,862.1	+5.6%
Net asset value per share (HK\$)	0.37	0.35	+5.7%
Cash and cash equivalents (HK\$' million)	1,624.1	1,724.7	-5.8%

#### Notes:

- (1) EBITDA is calculated as profit/(loss) before income tax subtracted by finance costs — net and adding back depreciation of property, plant and equipment and amortisation of intangible assets.
- (2) EBIT is calculated as profit/(loss) before income tax subtracted by finance costs — net.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**

		<b>For the six months ended</b>	
		<b>30 June</b>	
		<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
			(Re-presented)
Revenue	5	<b>3,973,464</b>	2,684,135
Cost of sales		<b>(3,619,139)</b>	(2,440,972)
<b>Gross profit</b>		<b>354,325</b>	243,163
Other gains — net	6	<b>3,060</b>	38,584
Other income	6	<b>16,656</b>	17,154
Gain on disposal of subsidiaries		<b>1,806</b>	519,624
Fair value gain/(loss) on investment properties		<b>346,276</b>	(407,401)
Impairment losses on intangible assets		<b>(10,390)</b>	(131,168)
Impairment losses on financial assets and contract assets — net		<b>(40,841)</b>	(54,146)
Distribution costs		<b>(59,690)</b>	(42,571)
Administrative expenses		<b>(163,839)</b>	(191,587)
<b>Profit/(loss) from operations</b>		<b>447,363</b>	(8,348)
Finance costs — net	8	<b>(113,756)</b>	(138,099)
Share of results of associates		<b>8,509</b>	17,519
<b>Profit/(loss) before income tax</b>		<b>342,116</b>	(128,928)
Income tax (expense)/credit	9	<b>(135,462)</b>	66,315
<b>Profit/(loss) for the period</b>	7	<b>206,654</b>	(62,613)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		<b>170,061</b>	104,882
Non-controlling interests		<b>36,593</b>	(167,495)
		<b>206,654</b>	(62,613)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited) (Re-presented)
<b>Profit/(loss) for the period</b>	<b>206,654</b>	(62,613)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>141,711</b>	(227,010)
Release of exchange reserve upon disposal of subsidiaries	<b>(2,759)</b>	(18,390)
Share of other comprehensive income of associates	<b>(3,202)</b>	(57,915)
<i>Item that will not be reclassified to profit or loss:</i>		
Net changes in the fair value of equity instruments designated at fair value through other comprehensive income	<b>(2,312)</b>	(201,066)
<b>Other comprehensive income for the period</b>	<b>133,438</b>	(504,381)
<b>Total comprehensive income for the period</b>	<b>340,092</b>	(566,994)
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	<b>247,844</b>	(260,492)
— Non-controlling interests	<b>92,248</b>	(306,502)
	<b>340,092</b>	(566,994)
<b>Earnings per share</b>		
— Basic (HK cents)	<i>10</i>	<b>0.54</b>
— Diluted (HK cents)	<i>10</i>	<b>0.54</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2021*

		As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		574,812	564,348
Investment properties		10,266,003	9,301,747
Intangible assets		259,878	273,836
Investments in associates		322,831	317,524
Financial assets at fair value through other comprehensive income	12	377,047	478,681
Finance lease receivables		32,938	59,553
Prepayments, deposits and other receivables		346,191	329,316
Deferred tax assets		47,618	49,296
		<u>12,227,318</u>	<u>11,374,301</u>
<b>Current assets</b>			
Inventories		29,004	26,443
Properties under development		10,724,766	9,477,577
Completed properties held for sale		2,432,542	2,442,662
Loans and advances	13	2,164,597	945,940
Trade receivables	14	621,868	384,856
Contract assets		70,326	68,514
Derivative financial assets		35,141	32,044
Finance lease receivables		34,582	64,500
Prepayments, deposits and other receivables		5,293,085	5,166,222
Current tax recoverable		92,486	40,537
Financial assets at fair value through profit or loss	15	535,159	475,056
Client trust bank balances		286,013	254,786
Pledged bank deposits and restricted deposits		862,090	646,085
Cash and cash equivalents		1,624,102	1,724,662
		<u>24,805,761</u>	<u>21,749,884</u>
<b>Total assets</b>		<u><u>37,033,079</u></u>	<u><u>33,124,185</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

AS AT 30 JUNE 2021

		As at 30 June 2021 <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and bills payables	16	4,094,727	3,730,461
Contract liabilities		3,782,614	2,006,206
Accruals and other payables		1,431,927	1,449,490
Borrowings		8,003,367	6,448,771
Lease liabilities		18,311	16,280
Current tax liabilities		354,221	309,406
		<u>17,685,167</u>	<u>13,960,614</u>
<b>Net current assets</b>		<u>7,120,594</u>	<u>7,789,270</u>
<b>Total assets less current liabilities</b>		<u>19,347,912</u>	<u>19,163,571</u>
<b>Non-current liabilities</b>			
Other payables		17,438	17,660
Consideration payable		180,573	163,747
Borrowings		6,417,177	6,943,190
Lease liabilities		100,205	103,625
Deferred tax liabilities		1,166,410	1,073,251
		<u>7,881,803</u>	<u>8,301,473</u>
<b>Total liabilities</b>		<u>25,566,970</u>	<u>22,262,087</u>
<b>NET ASSETS</b>		<u>11,466,109</u>	<u>10,862,098</u>
<b>EQUITY</b>			
Share capital		3,138,751	3,138,751
Reserves		4,977,138	4,828,230
Equity attributable to owners of the Company		<u>8,115,889</u>	<u>7,966,981</u>
Non-controlling interests		<u>3,350,220</u>	<u>2,895,117</u>
<b>TOTAL EQUITY</b>		<u>11,466,109</u>	<u>10,862,098</u>

## NOTES

### 1 GENERAL INFORMATION

Glory Sun Financial Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is 18/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

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

These interim condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated.

These interim condensed consolidated financial statements have been reviewed, not audited.

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

#### (b) Comparative figures

During the six months ended 30 June 2021, the directors of the Company reviewed the presentation of the accounting items in the interim condensed consolidated financial statements. To conform with the current period’s presentation, certain comparative figures have been re-presented. The changes represented the reclassification of accounting items in the condensed consolidated statement of comprehensive income which included the impairment losses on trade receivables, loans and advances and other receivables previously reported under “administrative expenses” were separately presented under “impairment losses on financial assets and contract assets — net”.

## 2 BASIS OF PREPARATION-Continued

### (b) Comparative figures-Continued

The directors of the Company considered that such reclassification provided more informative presentation on the primary statement of the condensed consolidated statement of comprehensive income.

Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020:

	<b>As previously reported</b> <i>HK\$'000</i>	<b>Reclassification</b> <i>HK\$'000</i>	<b>As re-presented</b> <i>HK\$'000</i>
Administrative expenses	(190,206)	(1,381)	(191,587)
Impairment losses on contract assets	(55,527)	55,527	–
Impairment losses on financial assets and contract assets — net	–	(54,146)	(54,146)

The reclassification has no financial impact to the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity.

Same basis of reclassification of the comparative figures is made in the preparation of the audited consolidated financial statement of the Company for the year ended 31 December 2020.

## 3 ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations.

The adoption of the new HKFRSs and amendments to HKFRSs has no material impact on the Group’s interim condensed consolidated interim financial statements.

In addition, the Group has early adopted Amendment to HKFRS 16 COVID-19-related rent concessions beyond 30 June 2021 ahead of its effective date and applied the amendment from 1 January 2021. The adoption of the amendment to HKFRS 16 does not have a material impact to the Group’s results or financial position.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the interim condensed consolidated financial statements, the management requires to make significant judgements, estimates and assumptions in applying the accounting policies and key sources of estimation uncertainty. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020. Actual results may differ from these estimates.

## 5 SEGMENT INFORMATION

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

The reportable segments of the Group are as follows:

- Automation segment represents the trading of automated production related equipment trading business in Hong Kong and the People’s Republic of China (the “PRC”);
- Financial Services segment represents regulated business activities in respect to financial services under the Hong Kong Securities and Futures Ordinance in Hong Kong;
- Property Investment and Development segment represents the properties investment activities, property development projects, hotel and restaurant operations and provision of construction works in Hong Kong and the PRC;
- Securities Investment segment represents the investment activities through direct investments in listed and unlisted securities;
- Trading of Commodities segment represents trading of commodities in the PRC;
- Yacht Club segment represents operation of a yacht club in the PRC;
- Training segment represents provision of training services in the PRC; and
- Others segment represents operation of golf practicing court, children playroom and fitness room, and trading of home appliances and building materials in the PRC (2020: operation of golf practicing court and trading of seafood in the PRC).

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

Inter-segment pricing is based on similar terms as those available to other external parties.

The CEO assesses the performance of the operating segments based on a measure of operating, which is in a manner consistent with that of the interim condensed consolidated financial statements. The measurement of segment results excludes the effect of unallocated corporate income and expenses, as these type of activities are managed by central finance and accounting function, which manages the working capital of the Group. In addition, share of results of associates, fair value gain on derivative financial assets, gain on disposal of a subsidiary and gain from derecognition of financial guarantee contract are not allocated to segments.



## 5 SEGMENT INFORMATION-Continued

The following is an analysis of revenue and results by reportable segments of the Group:

	Automation	Financial Services	Property Investment and Development	Securities Investment	Trading of Commodities	Yacht Club	Training	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021									
(Unaudited)									
Revenue	470,304	176,023	454,469	(32,052)	2,905,302	5,474	-	30,814	4,010,334
Inter-segment revenue	-	(36,870)	-	-	-	-	-	-	(36,870)
Revenue from external customers	<u>470,304</u>	<u>139,153</u>	<u>454,469</u>	<u>(32,052)</u>	<u>2,905,302</u>	<u>5,474</u>	<u>-</u>	<u>30,814</u>	<u>3,973,464</u>
Segment results	<u>28,404</u>	<u>77,338</u>	<u>385,619</u>	<u>(44,576)</u>	<u>1,848</u>	<u>(4,214)</u>	<u>(7,831)</u>	<u>12,466</u>	<u>449,054</u>
Share of results of associates									8,509
Fair value gain on derivative financial assets									3,097
Gain on disposal of a subsidiary									1,806
Unallocated other gains — net									(37)
Unallocated other income									2,359
Unallocated administrative expenses									(11,288)
Unallocated finance costs — net									(111,384)
<b>Profit before income tax</b>									<u><u>342,116</u></u>

## 5 SEGMENT INFORMATION-Continued

	Automation <i>HK\$'000</i>	Financial Services <i>HK\$'000</i>	Property Investment and Development <i>HK\$'000</i>	Securities Investment <i>HK\$'000</i>	Trading of Commodities <i>HK\$'000</i>	Yacht Club <i>HK\$'000</i>	Training <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020 (Unaudited)									
Revenue	235,701	136,412	437,956	(63,895)	1,911,052	3,062	8,460	31,275	2,700,023
Inter-segment revenue	—	(14,231)	(1,657)	—	—	—	—	—	(15,888)
Revenue from external customers	<u>235,701</u>	<u>122,181</u>	<u>436,299</u>	<u>(63,895)</u>	<u>1,911,052</u>	<u>3,062</u>	<u>8,460</u>	<u>31,275</u>	<u>2,684,135</u>
Segment results	<u>16,361</u>	<u>73,991</u>	<u>139,926</u>	<u>(80,694)</u>	<u>(8,290)</u>	<u>(97,541)</u>	<u>(44,811)</u>	<u>(4,612)</u>	(5,670)
Share of results of associates									17,519
Fair value gain on derivative financial assets									3,592
Gain from derecognition of financial guarantee contract									32,972
Unallocated other gains — net									1,021
Unallocated other income									8,784
Unallocated administrative expenses									(55,943)
Unallocated finance costs — net									<u>(131,203)</u>
Loss before income tax									<u>(128,928)</u>

## 5 SEGMENT INFORMATION-Continued

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
— Sale of goods	<b>477,674</b>	225,686
— Sale of properties	<b>378,111</b>	388,982
— Installation and maintenance income	<b>2,305</b>	1,866
— Commission and brokerage income	<b>22,716</b>	22,803
— Management fee and performance fee income	<b>34,714</b>	15,496
— Trading of commodities	<b>2,905,302</b>	1,911,052
— Training services	—	8,460
— Yacht club services	<b>656</b>	262
— Others	<b>17,458</b>	39,424
	<b><u>3,838,936</u></b>	<u>2,614,031</u>
<b>Revenue from other sources</b>		
— Securities investment loss	<b>(36,921)</b>	(52,188)
— Interest income	<b>86,247</b>	72,175
— Rental income	<b>85,202</b>	50,117
	<b><u>134,528</u></b>	<u>70,104</u>
	<b><u>3,973,464</u></b>	<u>2,684,135</u>

## 6 OTHER GAINS — NET AND OTHER INCOME

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Other gains — net</b>		
Loss on disposal of property, plant and equipment	–	(1)
Gain from derecognition of financial guarantee contract	–	32,972
Fair value gain on derivative financial assets	3,097	3,592
Others	(37)	2,021
	<u>3,060</u>	<u>38,584</u>
<b>Other income</b>		
Consultancy income	176	3,973
Dividend income	48	–
Government subsidies ( <i>Note</i> )	2,897	3,102
Handling fee income	6,544	832
Others	6,991	9,247
	<u>16,656</u>	<u>17,154</u>

*Note:*

The government subsidies represented the encouragement of development of culture and creative companies and the support of the Group's automation business from the relevant government authorities. The Group has complied with the requirements set out in the subsidy notice or relevant law and regulations.

## 7 PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period is arrived at after charging/(crediting):

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible assets	<b>7,081</b>	21,544
Cost of inventories and inventories of properties	<b>3,579,007</b>	2,327,731
Write-down of inventories ( <i>Note</i> )	–	4,146
Cost of inventories and inventories of properties recognised as expenses	<b>3,579,007</b>	2,331,877
Depreciation of property, plant and equipment	<b>34,151</b>	26,953
Directors' and chief executive's emoluments	<b>5,943</b>	6,796
Employee benefit expenses	<b>109,949</b>	82,449
Net foreign exchange (gains)/losses	<b>(43,353)</b>	27,666
Short-term lease expenses	<b>5,014</b>	1,702
Impairment losses/(reversal of) impairment losses on financial assets and contract assets — net:		
— loans and advances	<b>38,031</b>	(416)
— trade receivables	<b>1,087</b>	269
— other receivables	<b>1,630</b>	(1,234)
— contract assets	<b>93</b>	55,527
	<b>40,841</b>	54,146
Impairment losses on intangible assets	<b>10,390</b>	131,168

*Note:*

For the six months ended 30 June 2020, write-down of inventories to net realisable value of HK\$4,146,000 was included in “cost of sales” of the condensed consolidated statement of comprehensive income.

## 8 FINANCE COSTS — NET

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Finance income:		
— Interest income on bank deposits	<b>8,355</b>	2,908
— Interest income on financial assets at amortised cost	<b>10,590</b>	—
	<u><b>18,945</b></u>	<u>2,908</u>
Finance costs:		
— Bank loans	<b>(270,901)</b>	(159,399)
— Corporate bonds	<b>(47,307)</b>	(73,234)
— Loans from related parties	—	(2,046)
— Margin loans	<b>(11,127)</b>	(64)
— Obligation under repurchase agreements	<b>(5,129)</b>	(5,198)
— Other loans	<b>(204,467)</b>	(128,410)
— Trust receipt loans	<b>(79)</b>	(244)
— Lease liabilities	<b>(5,182)</b>	(3,317)
— Imputed interest on consideration payable	<b>(16,827)</b>	(8,986)
	<u><b>(561,019)</b></u>	<u>(380,898)</u>
Less: Interest capitalised on		
— investment properties under construction	<b>89,017</b>	74,420
— properties under development	<b>339,301</b>	165,471
	<u><b>(132,701)</b></u>	<u>(141,007)</u>
Finance costs — net	<u><b>(113,756)</b></u>	<u>(138,099)</u>

*Note:*

The weighted average capitalisation rate for the six months ended 30 June 2021 on fund's borrowed is at a rate of 7.85% (six months ended 30 June 2020: 5.76%) per annum.



## 11 DIVIDEND

- (a) No interim dividend was proposed by the board of directors for the six months ended 30 June 2021 and 2020.
- (b) No final dividend in respect of the previous financial year was approved or paid during the six months ended 30 June 2021 and 2020.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
<b>Equity investments designated at FVOCI</b>		
Listed shares:		
— Equity securities — Norway	<b>26,087</b>	36,825
— Equity securities — the United States of America	<b>11,280</b>	10,482
— Equity securities — Hong Kong	<b>311,960</b>	404,130
	<b>349,327</b>	451,437
Unlisted shares	<b>27,720</b>	27,244
	<b>377,047</b>	478,681

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

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



### 13 LOANS AND ADVANCES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Loans and advances ( <i>Note (a)</i> )	1,034,205	481,773
Margin loan receivables ( <i>Note (b)</i> )	<u>1,173,497</u>	<u>469,241</u>
	2,207,702	951,014
Less: Provision for impairment	<u>(43,105)</u>	<u>(5,074)</u>
Loans and advances — net	<u><u>2,164,597</u></u>	<u><u>945,940</u></u>

*Notes:*

- (a) As at 30 June 2021, the loans and advances of approximately HK\$470,748,000 (31 December 2020: HK\$481,773,000) are secured by charges over the properties and listed securities of the borrowers, and/or backed by guarantee. Credit limits are set for borrowers based on the quality of collaterals held and the financial background of the borrower. Collateral values and overdue balances are reviewed and monitored regularly.
- (b) The credit facility limits granted to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

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

As at 30 June 2021, margin loan receivables were secured by securities pledged by the clients to the Group as collaterals with undiscounted market value of HK\$4,273,959,000 (31 December 2020: HK\$2,190,009,000).

## 14 TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	626,677	388,608
Less: Provision for impairment	<u>(4,809)</u>	<u>(3,752)</u>
Trade receivables — net	<u><u>621,868</u></u>	<u><u>384,856</u></u>

The ageing analysis of gross trade receivables based on invoice date is as follows:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0 to 30 days	407,137	234,238
31 to 60 days	23,101	27,499
61 to 90 days	17,620	17,878
91 to 120 days	31,634	7,663
Over 120 days	<u>147,185</u>	<u>101,330</u>
	<u><u>626,677</u></u>	<u><u>388,608</u></u>

## 15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Listed securities:		
— Equity securities — Hong Kong	84,104	115,166
Debt investment at FVTPL	<u>451,055</u>	<u>359,890</u>
	<u><u>535,159</u></u>	<u><u>475,056</u></u>

The Group’s financial assets at FVTPL are denominated in Hong Kong dollar. The fair values of listed shares are based on their current bid prices in an active market.

## 16 TRADE AND BILLS PAYABLES

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
Trade payables	<b>4,094,727</b>	3,700,039
Bills payables	<u>–</u>	<u>30,422</u>
	<b><u>4,094,727</u></b>	<b><u>3,730,461</u></b>

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

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(Audited)</b>
0 to 30 days	<b>2,416,199</b>	2,672,649
31 to 60 days	<b>52,735</b>	21,121
61 to 90 days	<b>304,658</b>	11,943
91 to 120 days	<b>78,093</b>	2,884
Over 120 days	<u><b>1,243,042</b></u>	<u>1,021,864</u>
	<b><u>4,094,727</u></b>	<b><u>3,730,461</u></b>

## **MARKET OVERVIEW**

The global economy has been seriously affected by the outbreak of the Covid-19 since the beginning of 2020. The continuous spreading of the Covid-19 and the emergence of the viral variants have had a significant impact on the global business activities.

During the first half of 2021, China's gross domestic product (GDP) increased by approximately 12.7% year-on-year, with its economy showing strong resilience. The whole country was committed to strengthening its pandemic prevention and control measures as well as the economic recovery and was strived to achieve the annual goals and missions of economic development.

The Government of the PRC has held various policy meetings since 2020 to reiterate the principle of "housing is for living in and not for speculation" and have normalized its long-term positioning. From the enforcement of "Three Red Lines" on real estate enterprises in August 2020 to the implementation of "Housing Loan Concentration Management" by banks at the end of the year, and then to the carrying out of the new policy of "Two Centralizations of Land Supply (centralize the publishing of sales announcements; centralize the organization of sales activities)" in February 2021, the regulatory policies have started with market participants at micro level, allowing the effects to be more precise and quantitative. Under such context, the overall financing environment in the property development market has gradually tightened, the difficulty and cost of financing have substantially increased, and lowering debt has become one of the most important tasks for property development enterprises.

Notwithstanding the challenging market environment, the Group believes that with great effort from the management team and all employees, its operations and financial conditions will be improved. In the hopeful anticipation that the global pandemic will come to an end soon, the Group expects that its businesses are viable and sustainable and remains optimistic about the prospect of the business operations in the long run. Looking forward, the Group will continue to explore business opportunities for its business segments so as to generate higher value for the shareholders of the Company.

## **BUSINESS REVIEW**

For the six months ended 30 June 2021, the Group was principally engaged in the business of financial services, property investment and development, automation, securities investment, trading of commodities, yacht club and training. In January 2021, the Company won "the best financial company" award at the 5th "Golden Hong Kong Stocks Awards", affirming its wide recognition in Hong Kong.

Over the past years, the Group has been adhering to its philosophy of “sustainable development and giving back to the community” with its commitment to provide all-rounded quality products and services to maximize return for its shareholders and contribute to the well-being of the society. The Group will continue to rise to the challenges of the formidable business environment and look for local and overseas partners to promote the overall development of the Group.

## **FINANCIAL SERVICES BUSINESS**

For the six months ended 30 June 2021, the financial services segment netted approximately HK\$139.2 million in revenue (30 June 2020: approximately HK\$122.2 million), which is up 13.9% year-on-year and equivalent to 3.5% of the Group’s total revenue (30 June 2020: 4.6%). The operating profit amounted to approximately HK\$77.3 million (30 June 2020: approximately HK\$74.0 million), representing a year-on-year increase of 4.5%.

### **Securities Brokerage Services**

For the six months ended 30 June 2021, Hong Kong securities market recorded a market capitalization of approximately HK\$52.8 trillion, representing an increase of approximately 39% from approximately HK\$37.9 trillion for the same period last year. The average turnover for the period was HK\$188.2 billion, representing an increase of approximately 60% from HK\$117.5 billion for the same period last year. The funds raised through IPOs for the first six months of 2021 was approximately HK\$210.4 billion, representing an increase of approximately 127% when compared with HK\$92.8 billion for the same period last year. These statistics reflect the fact that Hong Kong securities market remained vigorous in the first half of 2021.

Notwithstanding the market conditions over the past years, the securities brokerage team, with the increase in support from the Group, managed to make steady progress to provide its clients with more comprehensive and professional services. In order to seize the opportunities presented by the vigorous securities market, the Group adjusted its marketing strategies by advertising through multiple channels, including radio advertising, television advertising and popular social networks and allocated more resources on the compilation of research and analysis reports. It provided investors with up-to-date financial information via live streaming and a series of social media platforms to cope with the rapid increase in investors’ demand for timely financial information. With more popular functions added to the eTrading mobile application, clients tended to conduct more trades online as a result of better investment experience. A stronger brand recognition and brand evaluation from clients led to an enhancement of the Group’s corporate image.

## **Corporate Finance Services**

For the six months ended 30 June 2021, the corporate finance team provided sponsoring, underwriting and placement services to clients for their fund-raising activities in equity and debt capital market. It provided financial advisory services and other corporate advisory services to clients for their corporate finance activities including restructuring, mergers and acquisitions. Due to the Covid-19, meetings with clients and performance of due diligence exercises in the PRC were largely affected by the travel restrictions and compulsory quarantine as imposed by the PRC and Hong Kong Governments. Nevertheless, the corporate finance team coped with these challenges and fulfilled clients' expectation by conducting meetings with clients via video conferencing.

## **Asset Management Services**

For the six months ended 30 June 2021, the asset management team provided an array of services including fund management, discretionary account management and investment advisory services to high-net-worth individuals, corporations, and institutional clients in global markets. As at the date of this announcement, it acts as the investment manager for 3 segregated portfolio company funds with 6 segregated portfolios. In addition, it also provided investment advisory services to institutional clients on a wide range of investment products in the financial markets. As at 30 June 2021, the total assets under management amounts to approximately HK\$5.2 billion.

## **Wealth Management Services**

Hong Kong, as one of the leading wealth management hubs, has been providing comprehensive financial services to onshore and offshore clients. The number of high-net-worth individuals in Hong Kong has been increasing in recent years. With its geographical advantages and long-term experience in serving the PRC market, Hong Kong is expected to maintain its leading position in Greater China wealth management and further development of Hong Kong wealth management industry is expected. The wealth management team regularly held seminars, enhanced cooperation with other business units within the Group to increase sales channels. To expand its wealth management business, the wealth management team is preparing to provide simple trust services to its clients.

## **Money-lending Services**

The Group holds a money lender's licence and is a member of TransUnion Limited. It provided long-term secured loans such as share mortgage and property mortgage and short-term unsecured term loans. For the six months ended 30 June 2021, the Group continued to optimize its money lending business structure by the adoption of a conservative approach and tightened loan approval procedures. With reference to the prevailing market condition, the Group adjusted the interest rate and loan-to-value ratio on a regular basis to strengthen its risk and capital management.

## **Precious Metal Trading Services**

The Group holds a A1 membership of the Chinese Gold and Silver Exchange Society to engage with the businesses of 99 Gold, HKD Kilo Gold, London Gold/Silver and Loco Silver. During the period, it continued to provide clients with quality online trading services of gold and silver as well as comprehensive precious metal trading business for goods and physical gold and silver and render services of investment management and investment advisory for them to capture investment opportunities.

## **PROPERTY INVESTMENT AND DEVELOPMENT BUSINESS**

For the six months ended 30 June 2021, the revenue of the property investment and development segment was approximately HK\$454.5 million (30 June 2020: approximately HK\$436.3 million), accounting for approximately 11.4% (30 June 2020: approximately 16.3%) of the Group's total revenue. The operating profit of the property investment and development segment was approximately HK\$385.6 million, compared to the operating profit of approximately HK\$139.9 million recorded in the previous year.

The increase was mainly due to the increase in leasing gross floor area and the positive change of fair value on investment properties of approximately HK\$346.3 million as compared to a fair value loss on investment properties of HK\$407.4 million for the six months ended 30 June 2020.

The Group's property investment and development segment is mainly rooted in the Guangdong-Hong Kong-Macao Greater Bay Area. As at the date of this announcement, it holds a total of 15 property investment and development projects in 9 cities, namely Shenzhen, Ganzhou, Changchun, Shenyang, Weinan, Changsha, Shantou, Yunfu and Nanning. The development projects include commercial complexes, upscale residences, hotels, commercial apartments, villas and garden houses.

Due to the impact of the Covid-19, the fair value of the Group's investment properties and other assets decreased last year, and construction delays occurred in certain development projects which led to delays in delivery as well. However, throughout the first half of 2021, the Group worked together to actively respond to the negative effects of the pandemic and timely adjusted the project operation and management processes in order to adapt itself to the new environment. Despite encountering radical adjustment in the current real estate market, projects within the sector still achieved great progress, and construction of all projects were able to advance orderly.

During the first half of 2021, the Group performed well in the node completion of projects in several cities. Changsha Residential Project, Shantou Timesbay Apartment Project, Yunfu Villa Project, Changchun Office Building Project, Weinan Premium Residential Project Phase II and Nanning Office Building Project were successfully opened for sale, and the delivery of the residential and commercial properties of Shantou Chaoyang Project were completed successively.

## **AUTOMATION BUSINESS**

For the six months ended 30 June 2021, the revenue of the automation segment was approximately HK\$470.3 million (30 June 2020: approximately HK\$235.7 million), accounting for approximately 11.9% (30 June 2020: approximately 8.8%) of the Group's total revenue. The operating profit increased by 73.2% to approximately HK\$28.4 million (30 June 2020: approximately HK\$16.4 million). The increase in revenue together with the operating profit was mainly due to the China's manufacturing industry has recovered from the Covid-19 which the factories have resumed the production and placed orders for machines and devices.

The Group has been engaging in the automation business since 2012. It is one of the leading distributors and service providers of surface mount technology (SMT) equipment in the PRC. Despite the challenging economic situation caused by the Sino-US trade war and Covid-19, China's manufacturing industry has benefited from a strong recovery and increased demand for 5G, semiconductors, smart connected devices and electric vehicles during the period. The deployment of 5G infrastructure and the advent of 5G smartphones in the PRC contributed to the increase in demand for SMT equipment. The Group is committed to allocate more resources to the automation business with a view to benefiting from the increase in the industry's demand for smart manufacturing equipment in 2021.

## **SECURITIES INVESTMENTS**

The Group has been investing in listed shares in Hong Kong and foreign countries and adjusting its investment strategy to ensure that it is sufficiently prudent to cope with the uncertainties in the financial market. For the six months ended 30 June 2021, the securities investment business generated a loss of approximately HK\$32.1 million (30 June 2020: approximately HK\$63.9 million). The operating loss of the segment amounted to approximately HK\$44.6 million (30 June 2020: approximately HK\$80.7 million).



## **OTHER INVESTMENTS**

As at 30 June 2021, the Company held 32% equity interest in Yunnan International Holding Group Limited, an associate principally engaged in the business of clean energy, health, investment management, new energy and financial services. Through the cooperation with the shareholders of the associate, the Company wishes to participate in the strategic construction brought by The Belt and Road Initiative.

## **TRADING OF COMMODITIES**

For the six months ended 30 June 2021, the revenue of the trading of commodities segment was approximately HK\$2,905.3 million (30 June 2020: approximately HK\$1,911.0 million), accounting for approximately 73.1% (30 June 2020: approximately 71.2%) of the Group's total revenue.

The Group engages in the trading of commodities and owns a large-scale trading platform for non-ferrous metals, mainly involving in the supply of non-ferrous metals (which were raw materials for industrial purposes). The Group expanded its business scale, enhanced customer stickiness, and improved its business flexibility and turnover rate, which led to a breakthrough growth.

## **YACHT CLUB AND TRAINING BUSINESS**

For the six months ended 30 June 2021, the yacht club segment recorded a revenue of approximately HK\$5.5 million (30 June 2020: approximately HK\$3.0 million), accounting for 0.1% (30 June 2020: 0.1%) of the Group's total revenue.

For the six months ended 30 June 2021, the training segment did not generate any revenue (30 June 2020: approximately HK\$8.5 million).

The Group completed the disposal of this business in July 2021. Further details are disclosed in the section headed "Events after the Reporting Period — Disposal of Yue Jin Asia Limited".

## PROSPECT

With the risks and challenges arising out of trade disputes and the widespread of the Covid-19 and variants of the virus imposed to the global economies, the economic growth in mainland China and Hong Kong will inevitably be affected. Nonetheless, the Group wishes that the Covid-19 will be gradually brought under control with the availability and improvement of vaccines.

The Group realizes that there has been an increasing demand for the application of fintech in the financial industry. Therefore, the Group plans to increase its investment in optimizing its eTrading mobile application to provide better client support services and up-to-date promotional and marketing strategies to adapt to the new investment pattern of the investors. The Groups will continue to advance the network security of its electronic trading platform to protect clients' interests, overcome forthcoming challenges and seize opportunities. With better equipped trading platform, the Group expects to increase the number of clients in mainland China by raising its brand awareness in the mainland market.

With gradual emergence of impacts from policies such as “Three Red Lines” and bank credit red lines, it is expected that the overall capital funding trend in the real estate development industry will continue to be tight throughout the year, and the overall market response will gradually become rational. Facing economic pressure, the Group will proactively seize market opportunities, constantly optimize its debt structure, enhance the flexibility of capital management, adjust its competitive strategies in time, and strive to provide strong support for business development.

The automation segment has been providing world-class automation manufacturing devices and services for the industries of smartphones, Internet of Things, semi-conductors, automobile electronics in the PRC. With the gradual sophistication of 5G application business regimes together with the accelerating progress proposed by China in terms of the new infrastructure facilities construction as representative of 5G, Artificial Intelligence, Industrial Internet and Internet of Things, there will be a new source of vitality to benefit the development of the automation segment.

The Group will continue to recruit and retain more talents while making adjustment and optimisation to the management and core business teams with devoted effort to develop a more professional and more experienced business team. The Group anticipates that there will be a turnaround from crisis to opportunities under the capabilities of its management to expand the scope of business by the leverage of the opportunity arising out of crisis.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the six months ended 30 June 2021 increased by 48.0% to approximately HK\$3,973.5 million (30 June 2020: approximately HK\$2,684.1 million). The revenue analysis by segment is presented as follows:

	For the six months ended 30 June		2020		% change
	2021	2020	2020	2020	
	<i>HK\$'</i> <i>million</i>	Proportion to total revenue	<i>HK\$'</i> <i>million</i>	Proportion to total revenue	
Automation	470.3	11.9%	235.7	8.8%	99.5%
Financial Services	139.2	3.5%	122.2	4.6%	13.9%
Property Investment and Development	454.5	11.4%	436.3	16.3%	4.2%
Securities Investment	(32.1)	(0.8)%	(63.9)	(2.4)%	(49.8)%
Trading of Commodities	2,905.3	73.1%	1,911.0	71.2%	52.0%
Yacht Club	5.5	0.1%	3.0	0.1%	83.3%
Training	0.0	0.0%	8.5	0.3%	(100.0)%
Others	30.8	0.8%	31.3	1.1%	(1.6)%
	<b>3,973.5</b>	<b>100.0%</b>	<b>2,684.1</b>	<b>100.0%</b>	<b>48.0%</b>

During the Period, the trading of commodities, automation and property investment and development segments were the major source of revenue for the Group, accounting for 73.1%, 11.9% and 11.4% of total revenue, respectively.

### Gross Profit and Margin

The gross profit increased by 45.7% to approximately HK\$354.3 million (30 June 2020: approximately HK\$243.2 million), while the gross profit margin decreased to 8.9% (30 June 2020: 9.1%). The increase in gross profit was mainly due to the increase in revenue from financial services business, increase in rental income from property investment business, and increase in sales of automation business as compared with the corresponding period in 2020.

## **Other Gains — Net**

The net other gains for the Period was approximately HK\$3.1 million (30 June 2020: approximately HK\$38.6 million). The decrease was primarily due to the absence of gain from derecognition of financial guarantee recognized for the corresponding period of 2020 of approximately HK\$33.0 million.

## **Other Income**

The other income decreased by 2.9% to approximately HK\$16.7 million (30 June 2020: approximately HK\$17.2 million).

## **Distribution Costs**

The distribution costs increased by 40.1% to approximately HK\$59.7 million (30 June 2020: approximately HK\$42.6 million), accounting for 1.5% (30 June 2020: 1.6%) of the total revenue. The increase in distribution costs was mainly due to the increase in advertising, promotion and exhibition expenses of approximately HK\$10.5 million and increase in sales commission of approximately HK\$9.7 million.

## **Administrative Expenses**

The administrative expenses decreased by 14.5% to approximately HK\$163.8 million (30 June 2020: approximately HK\$191.6 million), owing to the effective implementation of cost control policy to reduce the routine administrative expenses and increase in net foreign exchange gains.

## **Finance Costs — Net**

The net finance costs was approximately HK\$113.8 million (30 June 2020: approximately HK\$138.1 million). The decrease in net finance costs was because of the increase in interest expenses that qualified for capitalisation.

## **Income Tax (Expense)/Credit**

The income tax expense was approximately HK\$135.5 million (30 June 2020: income tax credit of approximately HK\$66.3 million) due to the substantial increase in deferred tax expenses derived from the revaluation of investment properties.

## **Profit Attributable to Owners of the Company**

The profit attributable to owners of the Company increased by 62.2% to approximately HK\$170.1 million (30 June 2020: approximately HK\$104.9 million). The increase was mainly due to increase in gross profit by 45.8% to approximately HK\$354.3 million (30 June 2020: approximately HK\$243.2 million), the fair value gain on investment properties of approximately HK\$346.3 million (30 June 2020: fair value loss of approximately HK\$407.4 million) and a decrease in gain on disposal of subsidiaries by 99.7% to approximately HK\$1.8 million (30 June 2020: approximately HK\$519.6 million).

## **FINANCIAL RESOURCES REVIEW**

### **Liquidity and Financial Resources**

By adopting a prudent financial management approach, the Group continued to maintain a healthy financial position with a good cash flow. As at 30 June 2021, the Group's cash and cash equivalents totaled approximately HK\$1,624.1 million (31 December 2020: approximately HK\$1,724.7 million). The working capital represented by net current assets amounted to approximately HK\$7,120.6 million (31 December 2020: approximately HK\$7,789.3 million). The current ratio was approximately 1.4 (31 December 2020: approximately 1.6). The gearing ratio, which is calculated at borrowings divided by net asset value, was 125.8% (31 December 2020: 123.3%).

The borrowings of the Group as at 30 June 2021 included corporate bonds of approximately HK\$1,022.5 million (31 December 2020: approximately HK\$1,020.0 million), trust receipt loans of approximately HK\$16.0 million (31 December 2020: approximately HK\$8.7 million), bank loans of approximately HK\$7,023.3 million (31 December 2020: approximately HK\$6,800.9 million), and other loans of approximately HK\$6,358.7 million (31 December 2020: approximately HK\$5,562.4 million).

### **Charge of Assets**

The borrowings were secured by (i) guarantees provided by the Company, shareholder of the Company, certain of its subsidiaries, related parties and independent third party (31 December 2020: same); (ii) properties owned by an independent third party (31 December 2020: same); (iii) equity interests of certain subsidiaries of the Company (31 December 2020: same); (iv) property, plant and equipment of approximately HK\$125.0 million (31 December 2020: approximately HK\$126.6 million); (v) investment properties of approximately HK\$5,964.7 million (31 December 2020: approximately HK\$5,536.7 million); (vi) properties under development of approximately HK\$8,263.6 million (31 December 2020: approximately HK\$6,491.3 million); (vii) completed properties held for sale of approximately HK\$1,304.2 million (31 December 2020: approximately HK\$1,333.4 million); (viii) financial assets at

FVTPL of approximately HK\$423.1 million (31 December 2020: approximately HK\$310.5 million); (ix) collateral of the Group's margin clients of approximately HK\$849.6 million (31 December 2020: approximately HK\$828.3 million); (x) pledged bank deposit approximately HK\$76.6 million (31 December 2020: approximately HK\$178.7 million); and (xi) intragroup group receivables of a subsidiary of the Company (31 December 2020: same).

### **Capital and Other Commitments**

As at 30 June 2021, the Group had contracted but not provided for capital and other commitments of approximately HK\$215.2 million, HK\$12,368.1 million and HK\$7.1 million (31 December 2020: approximately HK\$215.2 million, HK\$17,600.7 million and HK\$3.8 million) related to the investment in an associate; investment properties and property development expenditures and property, plant and equipment, respectively.

### **Currency Exposure and Management**

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

As the business activities of the Group's automation and property investment and development segments were mainly conducted in Mainland China, most of the Group's property development costs and labour costs were settled in 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 Period, 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, owners' equity and banking facilities. The Group expects to have sufficient resources and banking facilities to meet its capital expenditure and working capital requirement.

## **Fund Raising for Future Business Development**

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

## **Employees and Remuneration Policies**

As at 30 June 2021, the Group had 984 (31 December 2020: 1,036) full-time employees in Hong Kong and the PRC. Employees' remuneration is determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical insurance, provident funds and other competitive fringe benefits.

To provide incentives or rewards to the staff, the Company adopted a share option scheme on 2 June 2020 and share options will be granted to eligible employees in accordance with the share option scheme.

## **Events after the Reporting Period**

### ***Disposal of Shenzhen Xinhengchuang Industrial Company Limited***

On 20 July 2021, a non-wholly owned subsidiary of the Company entered into an agreement with an independent third party in relation to the disposal of the entire equity interest of its subsidiary, Shenzhen Xinhengchuang Industrial Company Limited<sup>#</sup> (“**Xinhengchuang**”), a company established in the PRC with limited liability, at cash consideration of RMB300 million (equivalent to approximately to HK\$360 million). Xinhengchuang and its subsidiaries are principally engaged in property development and property investment in the PRC. The transaction has not been completed as at the date of this announcement. Please refer to the joint announcement of the Company and Glory Sun Land Group Limited dated 20 July 2021 for more details regarding the transaction.

### ***Disposal of Yue Jin Asia Limited***

On 23 July 2021, a non-wholly owned subsidiary of the Company entered into an agreement with an independent third party in relation to the disposal of the entire equity interest of Yue Jin Asia Limited (“**Yue Jin Asia**”) and the assignment of interest-free shareholder's loan due from Yue Jin Asia at cash consideration of HK\$1. Yue Jin Asia and its subsidiaries are principally engaged in operation of yacht club as well as training services in the PRC. The transaction was completed on 23 July 2021.

## **KEY RISKS AND UNCERTAINTIES**

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

### **Operational Risk**

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

Key functions in the Group are guided by standard operating procedures, limits of authority and a reporting framework. The Group identifies and assesses key operational exposure and reports such risk issues to senior management as early as possible so that appropriate risk control measures can be taken.

### **Industry Risk**

The financial services business of the Group is subject to extensive regulatory requirements. Among others, operating subsidiaries such as Glory Sun Securities Limited and Glory Sun Asset Management Limited are obliged to operate in compliance with the Securities and Futures Ordinance (Cap. 571). The Group is required to ensure consistent compliance with all applicable laws, regulations and guidelines and satisfy the relevant regulatory authorities that it remains fit and proper to be licensed. If there is any change or restriction of relevant laws, regulations and guidelines, the Group would then face a higher compliance requirement for its business activities. In addition, if the Group fails to comply with the applicable rules and regulations on any occasion, it may face fines or restrictions on its business activities or even suspension or revocation of some or all of its licenses for operating the financial services business. Furthermore, the financial services business, like all other businesses of the Group, is not immune from market changes. Any downturn in the financial markets may also adversely affect the financial services business of the Group.

The property investment and development business of the Group is subject to fluctuations in market conditions, economic performance and government policies. If the real estate market in the PRC and Hong Kong performs badly, it would have a direct negative impact upon that business of the Group. The Group will pay close attention to market conditions and will implement appropriate plans to respond to shifts in market conditions and government policies.



The automation business of the Group is inevitably affected by the Covid-19 and the Sino-US trade. The Group is prepared to pay close attention to market conditions and will formulate a contingency plan if the pandemic and the trade war persist over a period of time.

The securities investment business of the Group is sensitive to market conditions and fluctuations in the prices of the securities that it holds. Any significant downturn in the securities market may affect the market value of the Group's securities investments and may adversely affect its results.

### **Financial Risk**

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

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

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

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

### **Manpower and Retention Risk**

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

## Business Risk

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

## USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN JULY 2019

On 10 July 2019, the Company entered into a subscription agreement with Bao Xin Development Limited (the “**Subscriber**”), a company wholly owned by Mr. Yao Jianhui, in relation to the subscription of 4,000,000,000 new shares of the Company (the “**Share(s)**”) at a subscription price of HK\$0.25 per Share (the “**Share Subscription**”). Please refer to the announcement of the Company dated 10 July 2019 and the circular of the Company dated 10 October 2019 (the “**Circular**”) for more details regarding the Share Subscription.

On 17 December 2019, the Company issued and allotted 2,400,000,000 new Shares to the Subscriber and received a proceeds of approximately HK\$600,000,000. On 8 May 2020, the Company issued and allotted 1,600,000,000 new Shares to the Subscriber and received a proceeds of approximately HK\$400,000,000. The net proceeds of the Share Subscription were approximately HK\$999.4 million, HK\$928.9 million of which had been utilized as follows:

	<i>HK\$' million</i>
1. Provision of brokerage service and corporate finance	
(i) securities brokerage and margin financing;	130.0
(ii) investment; and	39.4
(iii) corporate finance division	29.5
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	300.0
	<hr/>
	928.9
	<hr/> <hr/>

Save for the HK\$70.5 million dedicated to the corporate finance division which has yet been utilized, all net proceeds of the Share Subscription have been used for the intended uses as set out in the Circular. The unutilized net proceeds was deposited with the banks in Hong Kong.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the Period (2020 interim dividend: nil).

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

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Period.

## **CHANGE IN INFORMATION OF DIRECTORS**

The change in the information of the Directors of the Company since the publication of the 2020 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

### **Name of Directors**

### **Details of Changes**

#### **Independent Non-executive Director**

Mr. Lee Kwan Hung, Eddie

Resigned as an independent non-executive director of China BlueChemical Ltd. (Stock Code: 03983.HK, a company listed on the Stock Exchange) with effect from 27 May 2021

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

## **CORPORATE GOVERNANCE**

The Company maintains 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. For the six months ended 30 June 2021, 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 the deviations disclosed herein.

According to the code provision A.2.1 of the CG code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yao Jianhui (“**Mr. Yao**”) currently assumes the roles of both the chairman and the chief executive officer of the Company. The Company deviates from this provision as it believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership. 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 all major decisions are made after consultation with the Board, appropriate Board Committees and key personnel. The Board, therefore, believes that a balance of power and authority have been and will continue to be maintained.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company adopts 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 six months ended 30 June 2021, they have complied with the provisions of the Model Code.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) on 28 November 2009 with written terms of reference in compliance with the Listing Rules. 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. Zhang Chi and two independent non-executive directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew. The unaudited financial results for the Period have been reviewed by the Audit Committee and the external auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hk1282.com](http://www.hk1282.com)). The 2021 interim 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 give our sincere gratitude to all our shareholders and business partners for their continuous support.

By order of the Board  
**Glory Sun Financial Group Limited**  
**Yao Jianhui**  
*Chairman and Chief Executive Officer*

Hong Kong, 26 August 2021

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

*The English transliteration of the Chinese name(s) in this announcement, where indicated with #, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*