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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in Glory Sun Financial Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**(1) VERY SUBSTANTIAL ACQUISITION:  
ACQUISITION OF EQUITY INTEREST IN A PRC TARGET COMPANY  
(2) EXEMPT CONNECTED TRANSACTION IN RELATION TO  
PROVISION OF FINANCIAL ASSISTANCE  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the EGM to be held at Unit 1908, 19/F., Tower 2, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Tuesday, 21 March 2023 is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also 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)). Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

27 February 2023

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## PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidelines issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement additional precautionary measures at the EGM including, without limitation:

- (1) compulsory body temperature screening – anyone with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue;
- (2) mandatory use of surgical face masks – no mask will be provided at the EGM venue and attendees should bring their own masks;
- (3) mandatory health declaration – anyone subject to quarantine, has any flu-like symptoms or has travelled overseas within 14 days immediately before the EGM ("recent travel history"), or has close contact with any person under quarantine or with recent travel history will not be permitted to attend the EGM;
- (4) anyone attending the EGM is reminded to observe good personal hygiene at all times;
- (5) appropriate distancing and spacing in line with the guidance from the Hong Kong Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding; and
- (6) no refreshments or drinks will be provided to attendees at the EGM.

In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly encourages Shareholders **NOT to attend the EGM in person**, and advises Shareholders to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

If Shareholders have any question relating to the EGM, please contact the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited as follows:

**Tricor Investor Services Limited**

17/F, Far East Finance Centre

16 Harcourt Road,

Hong Kong

Telephone: +852 2980 1333

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“1st Tranche Acquisition”	the acquisition of 1st Tranche Sale Equity Interest by the Purchaser from the Vendor and other transactions contemplated under the Sale and Purchase Agreement
“1st Tranche Completion”	completion of 1st Tranche Acquisition
“1st Tranche Consideration”	the consideration for 1st Tranche Acquisition in the amount of RMB1,175,550,000
“1st Tranche Deed of Set-Off”	the deed to be entered into between the Company and GSLG in relation to the set-off of the GSLG Loan against the 1st Tranche Consideration
“1st Tranche Sale Equity Interest”	51% of the total equity interest and actual paid-up registered capital of the Target Company
“2nd Tranche Acquisition”	the acquisition of 2nd Tranche Sale Equity Interest by the Purchaser from the Vendor and other transactions contemplated thereunder
“2nd Tranche Completion”	completion of 2nd Tranche Acquisition
“2nd Tranche Consideration”	the consideration for 2nd Tranche Acquisition in the amount of RMB1,129,450,000
“2nd Tranche Deed of Set-Off”	the deed to be entered into among the Target Company, the Vendor, the Purchaser and GSLG in relation to the set-off of the Amount Due from GSLG Group against the 2nd Tranche Consideration
“2nd Tranche Sale Equity Interest”	49% of the total equity interest and actual paid-up registered capital of the Target Company
“Acquisition”	1st Tranche Acquisition and 2nd Tranche Acquisition
“Amount Due from GSLG Group”	the total non-interest bearing amount of approximately RMB415 million due from GSLG Group (excluding the Target Company) to the Target Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

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## DEFINITIONS

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“Business Day(s)”	a day on which licensed banks in the PRC are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC
“Charged Property”	a plot of land located at Longhu District, Shantou City, Guangdong Province, the PRC with approximate gross floor area of approximately 232,000 sq.m.
“Company” or “GSFG”	Glory Sun Financial Group Limited (寶新金融集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1282)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement, the Acquisition and the transactions contemplated therein, which is expected to be held at 11:00 a.m. on Tuesday, 21 March 2023 and any adjournment thereof
“Enlarged Group”	GSFG Group as enlarged by the Acquisition to include the Target Company
“Framework Agreement”	the framework agreement dated 3 October 2022 entered into between the Company and GSLG
“GSFG Group”	GSFG and its subsidiaries
“GSLG”	Glory Sun Land Group Limited (寶新置地集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 299)
“GSLG Group”	GSLG and its subsidiaries

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## DEFINITIONS

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“GSLG Loan”	the overdue loan advanced by GSFG Group to GSLG Group pursuant to facility agreements entered into between GSFG Group and GSLG Group in respect of various unsecured term loan facilities at the interest rate of 8% or 12% per annum with the most recent overdue facility having fallen due on 18 December 2022, comprising RMB-denominated loans with principal amount of approximately RMB537.1 million and Hong Kong dollars-denominated loans with principal amount of HK\$523.0 million (equivalent to approximately RMB470.7 million), together with all interest accrued thereon up to 1st Tranche Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules
“Land Charge”	the charge over the Charged Property granted by the Target Company (as chargor) to Xiamen International Trust (as chargee) as security for the Secured Loan
“Latest Practicable Date”	24 February 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2023 (or such other date as the Purchaser and the Vendor may agree in writing)

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## DEFINITIONS

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“Material Adverse Change”	any change, event, circumstance or other matter that, in the opinion of the Purchaser, has, or would reasonably be expected to have, either individually or in aggregate, a material adverse effect on (a) the ability of the Vendor to perform its obligations under the Transaction Documents; or (b) the business, assets and liabilities, financial condition, results of operations or prospects of the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser” or “Baokai Investment”	Shenzhen Baokai Investment Holding Company Limited* (深圳寶開投資控股有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 October 2022 entered into between the Purchaser and the Vendor, in respect of the Acquisition
“Secured Loan”	the facility granted by Xiamen International Trust to Shenzhen Baoxin at the interest rate of 6.2035% per annum which falls due on 22 October 2023. As at 31 December 2022, the outstanding principal amount and interest accrued thereon amounted to approximately RMB358.7 million
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge Agreement”	the share charge agreement to be entered into between the Vendor and the Purchaser following 2nd Tranche Completion, pursuant to which the Purchaser (as chargor) shall execute a charge over the 2nd Tranche Sale Equity Interest it holds in the Target Company subsequent to 2nd Tranche Completion in favour of the Vendor (as chargee)

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Baoxin”	Shenzhen Baoxin Industrial Company Limited* (深圳寶新實業集團有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of GSLG
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shantou Taisheng Technology Limited* (汕頭市泰盛科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG prior to 1st Tranche Completion
“Transaction Documents”	the Sale and Purchase Agreement and the 1st Tranche Deed of Set-Off
“Vendor”	Shenzhen Hong Jia Xin Technology Limited* (深圳宏佳新科技有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG
“Xiamen International Trust”	Xiamen International Trust Co., Ltd.* (廈門國際信託有限公司)
“%”	per cent.

\* For identification only

*For the purpose of this circular, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of HK\$1.00 to RMB0.90. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Yao Jianhui (*Chairman and Chief Executive Officer*)

Mr. Li Minbin

Mr. Huang Wei

*Registered Office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Non-executive Director:*

Mr. Zhang Chi

*Head office and principal place  
of business in Hong Kong*

*Independent Non-executive Directors:*

Mr. Wong Chun Bong

Professor Lee Kwok On, Matthew

Ms. Zhao Yizi

Unit 1908, 19/F.

Tower Two, Lippo Centre

No. 89 Queensway

Admiralty

Hong Kong

27 February 2023

*To the Shareholders,*

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL ACQUISITION:  
ACQUISITION OF EQUITY INTEREST IN A PRC TARGET COMPANY  
(2) EXEMPT CONNECTED TRANSACTION IN RELATION TO  
PROVISION OF FINANCIAL ASSISTANCE  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 3 October 2022 in relation to the Framework Agreement entered into between the Company and GSLG. Pursuant to the Framework Agreement, on 19 October 2022, the Company procured the Purchaser and GSLG procured the Vendor to enter into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agrees to acquire, and the Vendor conditionally agrees to sell, the 1st Tranche Sale Equity Interest (representing 51% of the total equity interest and actual paid-up registered capital of the Target Company).

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## LETTER FROM THE BOARD

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Subject to the satisfaction (or waiver, as the case may be) of the conditions precedent set forth in the paragraph headed “Sale and Purchase Agreement – Conditions precedent – 2nd Tranche Acquisition” in this letter from the Board, the Vendor shall dispose the 2nd Tranche Sale Equity Interest (representing the remaining 49% of the total equity interest and actual paid-up registered capital of the Target Company held by the Vendor) to the Purchaser within twelve (12) months from 1st Tranche Completion.

The purpose of this circular is to provide you with: (i) further information on the Acquisition and the transactions contemplated thereunder; (ii) financial information of GSFG Group; (iii) financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group upon completion of the Acquisition; (v) the equity and properties valuation reports of the Target Company; (vi) other information as required under the Listing Rules; and (vii) a notice convening the EGM.

### **SALE AND PURCHASE AGREEMENT**

Date: 19 October 2022

Parties: (1) the Vendor, an indirect non-wholly owned subsidiary of GSLG; and  
(2) the Purchaser, an indirect wholly-owned subsidiary of the Company.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save as Mr. Yao Jianhui, being the Chairman and an executive Director of the Company, is a director of GSLG and is interested in 222,392 shares of GSLG, representing approximately 0.20% of the issued share capital of GSLG, the Vendor and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be acquired**

#### ***1st Tranche Acquisition***

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agrees to acquire and the Vendor conditionally agrees to sell the 1st Tranche Sale Equity Interest (representing 51% of the total equity interest and actual paid-up registered capital of the Target Company).

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## LETTER FROM THE BOARD

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### ***2nd Tranche Acquisition***

Subject to the satisfaction (or waiver, as the case may be) of the conditions precedent set forth in the paragraph headed “Sale and Purchase Agreement – Conditions precedent – 2nd Tranche Acquisition” in this letter from the Board, the Vendor shall dispose the 2nd Tranche Sale Equity Interest (representing the remaining 49% of the total equity interest and actual paid-up registered capital of the Target Company held by the Vendor) to the Purchaser within twelve (12) months from 1st Tranche Completion.

### **Consideration**

#### ***1st Tranche Consideration***

The 1st Tranche Consideration is RMB1,175,550,000, which shall be settled in the following manner:

- (i) by way of set-off of an amount equivalent to the outstanding principal amount of the GSLG Loan and all interest accrued thereon up to 1st Tranche Completion. For illustrative purpose only, assuming the 1st Tranche Acquisition is completed on 31 March 2023 and no repayment is made in respect of the GSLG Loan from the date of the Sale and Purchase Agreement up to the 1st Tranche Completion, the amount of GSLG Loan to be set-off against the 1st Tranche Consideration would be approximately RMB1,163.5 million, comprising (a) the principal amount of RMB-denominated loans of approximately RMB537.1 million; (b) the principal amount of Hong Kong dollars-denominated loans of approximately HK\$523.0 million (equivalent to approximately RMB470.7 million); and (c) all interest accrued on the GSLG Loan up to 31 March 2023 of approximately RMB155.7 million. Upon 1st Tranche Completion, the Company and GSLG will enter into the 1st Tranche Deed of Set-Off in relation to the set-off of the GSLG Loan against the 1st Tranche Consideration; and
- (ii) the remaining balance of the 1st Tranche Consideration (after deducting an amount equivalent to the GSLG Loan) shall be settled in cash (the “**1st Tranche Cash Consideration**”) within six (6) months from 1st Tranche Completion (or such other date as the Vendor and the Purchaser may agree). For illustrative purpose only, assuming the 1st Tranche Acquisition is completed on 31 March 2023, the 1st Tranche Cash Consideration would be approximately RMB12.1 million, which is equivalent to the 1st Tranche Consideration less the GSLG Loan of approximately RMB1,163.5 million to be set-off as aforementioned. Pursuant to the irrevocable undertaking given by the Vendor upon entering into the Framework Agreement, the Vendor undertakes that the 1st Tranche Cash Consideration to be received shall be fully applied by Shenzhen Baoxin towards the repayment of the interest accrued under the Secured Loan as and when they fall due.

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## LETTER FROM THE BOARD

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### ***2nd Tranche Consideration***

The 2nd Tranche Consideration is RMB1,129,450,000 and shall be settled in the following manner:

- (i) by way of set-off of the Amount Due from GSLG Group. Upon 2nd Tranche Completion, the Target Company, the Vendor, the Purchaser and GSLG will enter into the 2nd Tranche Deed of Set-Off in relation to the set-off of the Amount Due from GSLG Group of approximately RMB415 million against the 2nd Tranche Consideration; and
- (ii) the remaining balance of the 2nd Tranche Consideration (after deducting an amount equivalent to the Amount Due from GSLG Group) of approximately RMB714.5 million shall be settled in cash (the “**2nd Tranche Cash Consideration**”) within six (6) months from 2nd Tranche Completion (or such other date as the Vendor and the Purchaser may agree).

Pursuant to the Sale and Purchase Agreement, out of the 2nd Tranche Cash Consideration, the Vendor shall authorise, and shall procure Shenzhen Baoxin to authorise, the Purchaser to pay a sum equivalent to the Secured Loan to Xiamen International Trust directly as full settlement of the Secured Loan, while the remaining balance shall be payable by the Purchaser to the Vendor. The Directors consider that such arrangements would significantly mitigate GSFG Group’s credit risk exposure to the Secured Loan upon completion of the Acquisition.

The Company currently plans to finance the 1st Tranche Cash Consideration and 2nd Tranche Cash Consideration through a combination of its internal resources, debt financing and/or equity fund-raising. The Board will determine the actual form of financing after taking into account the Company’s financial position and the viability and costs of different financing alternatives at the material time. In this regard, the the Company has not negotiated, or entered into any arrangement or agreement for any debt financing and/or equity fund-raising as at the Latest Practicable Date.

The 1st Tranche Consideration and the 2nd Tranche Consideration were arrived at after arm’s length negotiations between the Vendor and the Purchaser with reference to (i) the prospects of having the GSLG Loan and the Amount Due from GSLG Group settled in an amiable manner; (ii) the valuation of the entire equity interests in the Target Company of approximately RMB2,870 million as at 30 June 2022 according to the valuation by an independent professional valuer appointed by the Company; (iii) the business prospects of the Target Company; and (iv) the prevailing market conditions of the PRC real estate industry. The Board is of the view that the valuation of the entire equity interests in the Target Company as at the Latest Practicable Date did not differ materially from that as at 30 June 2022.

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## LETTER FROM THE BOARD

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### Conditions precedent

#### *1st Tranche Acquisition*

1st Tranche Completion is conditional upon the satisfaction (or waiver, as the case may be) of the following:

- (1) the passing of necessary resolution(s) by the shareholders of GSLG at an extraordinary general meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (2) the passing of necessary resolution(s) by the Shareholders at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules;
- (3) the issuing of a legal opinion by a PRC legal adviser to the Purchaser (in a form approved by the Purchaser) on the following matters, including but not limited to:
  - (i) the Target Company having obtained all licences, registrations, filings, permissions, authorisations, waivers, approvals and consents necessary or appropriate for its business operation and in its place of operation;
  - (ii) the Target Company is currently conducting and has conducted its business and affairs in compliance with its articles of association (or other constitutional documents) and all applicable laws, rules and regulations in the PRC; and
  - (iii) any other matters proposed or expected to be raised by any regulatory authorities (including but not limited to the Stock Exchange);
- (4) all consents, approvals and clearances necessary or, to the Purchaser's knowledge, expedient for the entering into, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated under the Sale and Purchase Agreement having been obtained from the government, official authorities and/or other persons;
- (5) the warranties provided by the parties under the Sale and Purchase Agreement remaining true, accurate and not misleading in any material respect at 1st Tranche Completion;
- (6) the Purchaser having given written notice to the Vendor that it is satisfied with the results of the due diligence review on the Target Company;
- (7) there having been no Material Adverse Change in respect of the Target Company since the date of the Sale and Purchase Agreement; and

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## LETTER FROM THE BOARD

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- (8) no statute, regulation or decision which would reasonably be expected to prohibit, restrict or materially delay the execution, delivery or performance of the Transaction Documents, the consummation of the transactions contemplated under the Sale and Purchase Agreement having been proposed, enacted or taken by any government or official authority whether in Hong Kong, the PRC or elsewhere.

The Purchaser may in its absolute discretion waive either in whole or in part at any time by notice in writing to the Vendor any of the conditions precedent, except paragraphs (1) and (2) above which are not capable of being waived. As at the Latest Practicable Date, save as the condition set out in paragraph (1), none of the other conditions above has been fulfilled or waived.

If any of the conditions is not fulfilled or waived by the Purchaser by the Long Stop Date (or such other date as the Vendor and the Purchaser may agree), the Purchaser shall not be required to proceed with the acquisition of the 1st Tranche Sale Equity Interest.

### ***2nd Tranche Acquisition***

2nd Tranche Completion is conditional upon the satisfaction (or waiver, as the case may be) of the following:

- (i) the valuation of the Target Company shall not fall below RMB2,600 million as at the quarter end date immediately preceding 2nd Tranche Completion;
- (ii) there having been no Material Adverse Change to the Target Company since 1st Tranche Completion; and
- (iii) Shenzhen Baoxin has issued an irrevocable undertaking, pursuant to which Shenzhen Baoxin undertakes to repay the Secured Loan in full upon 2nd Tranche Completion for the release of the Land Charge.

The Purchaser shall be entitled to waive any of the conditions precedent mentioned above.

### **Amendments to the articles of association of the Target Company**

#### ***1st Tranche Completion***

Upon 1st Tranche Completion, the articles of association of the Target Company shall be amended to incorporate, among other things, the following provisions regarding the management of the Target Company:

- (i) the board of directors of the Target Company shall comprise three (3) directors, of whom one (1) director shall be appointed by the Vendor and two (2) directors shall be appointed by the Purchaser. The chairman of the Target Company shall be a director appointed by the Purchaser;

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## LETTER FROM THE BOARD

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- (ii) resolution(s) of the board of directors of the Target Company shall be passed by a simple majority; and
- (iii) the Target Company shall establish a supervisory committee comprising three (3) supervisors. Each of the Vendor, the Purchaser and employees of the Target Company shall appoint one (1) supervisor to the supervisory committee of the Target Company. The chairman of the supervisory committee of the Target Company shall be appointed by the Purchaser.

### ***2nd Tranche Completion***

Upon the change in business registration in relation to the transfer of the 2nd Tranche Sale Equity Interest from the Vendor to the Purchaser, the articles of association shall be amended to the effect that all members of the board and supervisory committee of the Target Company shall be appointed by the Purchaser.

### **Completion**

#### ***1st Tranche Completion***

1st Tranche Completion shall take place within seven (7) Business Days from the fulfilment (or waiver, as the case may be) of all the conditions precedent for the 1st Tranche Acquisition.

Upon 1st Tranche Completion, the Vendor and the Purchaser shall arrange for the change in business registration in relation to the transfer of the 1st Tranche Sale Equity Interest from the Vendor to the Purchaser and the replacement of legal representatives, directors, supervisors and senior management team (unless otherwise specified under the Sale and Purchase Agreement) of the Target Company by personnel designated by the Purchaser.

#### ***2nd Tranche Completion***

2nd Tranche Completion shall take place within seven (7) Business Days from the fulfilment (or waiver, as the case may be) of all the conditions precedent for the 2nd Tranche Acquisition.

Upon 2nd Tranche Completion, the Vendor and the Purchaser shall arrange for the change in business registration in relation to the transfer of the 2nd Tranche Sale Equity Interest from the Vendor to the Purchaser (the “**2nd Tranche Business Registration**”) and the replacement of legal representatives, directors, supervisors and senior management team of the Target Company by personnel designated by the Purchaser.

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## LETTER FROM THE BOARD

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To secure the Purchaser's payment obligations of the 2nd Tranche Consideration under the Sale and Purchase Agreement, the Purchaser shall enter into the Share Charge Agreement with the Vendor and complete the relevant registration within ten (10) Business Days from the 2nd Tranche Business Registration. Pursuant to the Share Charge Agreement, the Purchaser (as chargor) shall execute a charge over the 2nd Tranche Sale Equity Interest it holds in the Target Company subsequent to 2nd Tranche Completion in favour of the Vendor (as chargee) (the "Share Charge").

The Share Charge arrangement was agreed between the Purchaser and the Vendor after arm's length negotiation taking into consideration that the Vendor will have disposed all of its equity interests in the Target Company upon 2nd Tranche Completion, and such disposal would take place before the Purchaser fully settles the 2nd Tranche Cash Consideration. According to the Sale and Purchase Agreement, the 2nd Tranche Sale Equity Interest shall be transferred from the Vendor to the Purchaser upon 2nd Tranche Completion; whereas the Purchaser is only required to settle the 2nd Tranche Cash Consideration within six (6) months from 2nd Tranche Completion (or such other date as the Vendor and the Purchaser may agree). The Vendor considered that the Share Charge arrangement is necessary to secure the Purchaser's payment obligations of the 2nd Tranche Cash Consideration under the Sale and Purchase Agreement, and the Purchaser considered that such Share Charge arrangement is not uncommon for transactions involving transfer of shares in PRC entity. The Vendor and the Purchaser shall together arrange for the release of the Share Charge within ten (10) Business Days upon the full settlement of the 2nd Tranche Consideration by the Purchaser.

If, during the twelve (12) months from 1st Tranche Completion, any other third party(ies) ("**Other Potential Purchaser(s)**") agrees to acquire the 2nd Tranche Sale Equity Interest at a premium of not less than 20% over the 2nd Tranche Consideration, the Vendor shall be entitled to dispose of the 2nd Tranche Sale Equity Interest to such Other Potential Purchaser(s) conditional upon the satisfaction of the following:

- (i) payment of liquidated damages in the amount of RMB20.0 million to the Purchaser;
- (ii) issue of an irrevocable undertaking by each of Shenzhen Baoxin and the Vendor, pursuant to which Shenzhen Baoxin and the Vendor, jointly and severally, undertake to repay the Secured Loan in full upon the settlements made by the Other Potential Purchaser(s) for the release of the Land Charge;
- (iii) to the satisfaction of the Purchaser, an inclusion of a condition precedent under the sale and purchase agreement to be entered into between the Vendor and the Other Potential Purchaser(s) for the disposal of the 2nd Tranche Sale Equity Interest that the Other Potential Purchaser(s) could procure the payment of a sum equivalent to the Secured Loan to Xiamen International Trust directly as full settlement of the Secured Loan to release the Land Charge;

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## LETTER FROM THE BOARD

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- (iv) to the satisfaction of the Purchaser, an inclusion of a condition precedent under the sale and purchase agreement to be entered into between the Vendor and the Other Potential Purchaser(s) that, it is agreed among the Target Company, the Other Potential Purchaser(s) and GSLG that the Amount Due from GSLG Group be settled; and
- (v) issue of a letter of consent by the Purchaser to the Vendor for the disposal of the 2nd Tranche Sale Equity Interest to the Other Potential Purchaser(s) upon satisfaction of items (i) to (iv) above (collectively the “**Waiver Arrangements**”).

Upon satisfaction of the Waiver Arrangements, the Purchaser shall waive the right to acquire the 2nd Tranche Sale Equity Interest and undertakes not to, in any way, interfere with or prevent the Vendor from disposing the 2nd Tranche Sale Equity Interest to such Other Potential Purchaser(s).

The Directors consider that it is fair and reasonable for the Purchaser to agree to the Waiver Arrangements taking into consideration the followings:

- (i) in consideration of the Waiver Arrangements, the Vendor allowed the Purchaser to complete the acquisition of the 2nd Tranche Sale Equity Interest within twelve (12) months from 1st Tranche Completion. As compared to a one-off acquisition of the entire equity interest in the Target Company, dividing the acquisition into two tranches will provide a longer timeframe for the Purchaser to conduct the necessary financing and obtain the required funding for the acquisition of the 2nd Tranche Sale Equity Interest, thereby easing the cashflow and liquidity pressure on the Purchaser for the Acquisition. As at 30 June 2022, the Company had cash and cash equivalents of approximately HK\$538.2 million (equivalent to approximately RMB484.4 million), which would provide sufficient funds to settle the 1st Tranche Cash Consideration in the amount of approximately RMB12.1 million (assuming the 1st Tranche Acquisition is completed on 31 March 2023). Upon 1st Tranche Completion, the Company would have already secured a majority shareholding stake in the Target Company, and hence be entitled to exercise significant control over its management and operations. Subsequent to 1st Tranche Completion, the Company would have up to twelve (12) months to raise the required funding to settle the 2nd Tranche Cash Consideration through cashflow generated from its operating activities, debt financing and/or equity fund-raising as and when appropriate;
- (ii) upon 1st Tranche Completion, the Company will indirectly hold the majority shareholding of 51% in the Target Company. Hence, even if the Vendor sold the 2nd Tranche Sale Equity Interest to the Other Potential Purchaser(s), the Purchaser, being a majority shareholder, could still maintain significant influence and control over the decision making of the Target Company. In addition, the Purchaser would also be entitled to receive a windfall gain of RMB20.0 million;

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## LETTER FROM THE BOARD

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- (iii) the Waiver Arrangements would not result in the Company being worse off given (a) upon 1st Tranche Completion, the Target Company would have already become an indirect non-wholly owned subsidiary of the Company, thereby enabling the Company to have majority control over the management and operations of the Target Company; (b) the Company would receive a windfall gain of at least RMB20.0 million without disposing any equity interests in the Target Company in case the Vendor disposes the 2nd Tranche Sale Equity Interest to Other Potential Purchaser(s); (c) the Company would manage to mitigate GSFG Group's credit risk exposure to the Secured Loan by procuring Shenzhen Baoxin and/or the Other Potential Purchaser(s) to pay a sum equivalent to the Secured Loan to Xiamen International Trust as full settlement of the Secured Loan; (d) the Company would manage to mitigate GSFG Group's credit risk exposure to the Amount Due from GSLG Group by procuring GSLG Group and/or the Other Potential Purchaser(s) to pay a sum equivalent to settle the Amount Due from GSLG Group; and (e) in any event, even if the Vendor subsequently disposes the 2nd Tranche Sale Equity Interest to the Other Potential Purchaser(s), the Purchaser would still retain its status as the majority and single largest shareholder of the Target Company; and
- (iv) in case the Vendor successfully identifies and secures Other Potential Purchaser(s) willing to offer to purchase the 2nd Tranche Sale Equity Interest at a premium of not less than 20% over the 2nd Tranche Consideration, such premium secured by the Vendor would be primarily attributable to its own efforts and negotiations and would have little involvement or participation on the part of the Purchaser. Hence, it is only reasonable that the Vendor would enjoy a significant portion of the net premium (being the gross premium after deducting the liquidated compensation of RMB20.0 million payable to the Purchaser).

If the 2nd Tranche Acquisition is completed, it is agreed among the Target Company, the Purchaser and GSLG that the Amount Due from GSLG Group will be treated as non-interest bearing. Nevertheless, in the event the 2nd Tranche Acquisition fails to be completed between the Vendor and the Purchaser, GSLG Group agrees to pay interest to the Target Company on the Amount Due from GSLG Group at a simple interest rate of 12% per annum and the interest payable by GSLG Group shall accrue from the date of 1st Tranche Completion up to the date upon which the Amount Due from GSLG Group is fully settled.

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## LETTER FROM THE BOARD

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Based on enquiries with GSLG Group, the Company understands that currently there is no specific timeline for GSLG Group to settle the Amount Due from GSLG Group. Even so, the Directors consider that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole taking into consideration:

- (i) subject to the conditions precedent set out in the Sale and Purchase Agreement and/or the Waiver Arrangements, each of the Company and GSLG has indicated commitment to proceed with the 2nd Tranche Acquisition, and pursuant to the Sale and Purchase Agreement, the Amount Due from GSLG Group shall be settled by way of set-off against the 2nd Tranche Consideration. Given that the exact timing for the 1st Tranche Acquisition and 2nd Tranche Acquisition remain to be determined, it is presently not feasible for the parties to agree upon a specific timeline for the full settlement of the Amount Due from GSLG Group; and
- (ii) in the event the 2nd Tranche Acquisition fails to be completed between the Vendor and the Purchaser, GSLG Group shall settle the Amount Due from GSLG Group as soon as practicable after the receipt by the Vendor of the full amount of consideration for the disposal of the 2nd Tranche Sale Equity Interest to the Other Potential Purchaser(s). In such event, GSLG Group will have to pay interest to the Target Company on the Amount Due from GSLG Group at a simple interest rate of 12% per annum and the interest payable by GSLG Group shall accrue from the date of 1st Tranche Completion up to the date upon which the Amount Due from GSLG Group is fully settled. The Board considers that the interest rate of 12% per annum is fair and reasonable taking into consideration that it was determined with reference to the historical interest rate of the GSLG Loan at 8% or 12% per annum and that the interest chargeable under the Amount Due from GSLG Group falls within the range of interest rate of 8% to 18% per annum generally charged by GSF Group to third parties under its money lending business. Therefore, regardless of the exact timing of the full settlement of the Amount Due from GSLG Group, there would be no material prejudice caused to the Purchaser since GSLG Group shall be liable to pay interest calculated at 12% per annum at a simple interest rate to the Target Company accruing from the date of 1st Tranche Completion, if the 2nd Tranche Acquisition fails to proceed.

### **FINANCIAL EFFECT OF THE ACQUISITION**

#### **1st Tranche Acquisition**

Upon 1st Tranche Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

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## LETTER FROM THE BOARD

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### **2nd Tranche Acquisition**

Upon 2nd Tranche Acquisition, the entire equity interests in the Target Company will be owned by the Purchaser.

According to the annual report of the Company issued on 29 April 2022, GSFG Group recorded a loss for the year of approximately HK\$68.8 million for the year ended 31 December 2021. For illustrative purposes, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Acquisition had been taken place on 1 January 2021, the unaudited pro forma consolidated loss of the Enlarged Group for the year ended 31 December 2021 would have been approximately HK\$53.7 million.

According to the interim report of the Company issued on 29 September 2022 (the “**2022 Interim Report**”), the unaudited consolidated total assets and total liabilities of GSFG Group as at 30 June 2022 were approximately HK\$8,669.5 million and HK\$3,080.0 million, respectively. For illustrative purposes, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Acquisition had been taken place on 30 June 2022, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would have been approximately HK\$11,362.8 million and HK\$5,215.3 million, respectively.

### **General**

Shareholders and potential investors should note that the financial impact set out above is for illustrative purposes only, which will have to be ascertained at the time of preparation of the Company’s consolidated financial statements with reference to, among other things, the actual costs and expenses associated with the Acquisition, and is subject to audit.

## **INFORMATION OF THE PARTIES TO THE SALE AND PURCHASE AGREEMENT**

### **The Purchaser**

The Purchaser is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment holding, property development and investment in the PRC, providing supply chain management services and business services, establishing technology research and development centres and corporate management consulting.

### **The Vendor**

The Vendor is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG. The Vendor is principally engaged in technological development of electronic products and provision of technology consultation, technology transfer, technical support and other consultation services.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG. The Target Company is solely engaged in a development and construction project located at Longhu District, Shantou City, Guangdong Province, the PRC, with total land area of approximately 167,000 sq.m. and a gross floor area of approximately 951,000 sq.m., which is divided into three zones, and involve office and commercial buildings, residential units and loft apartments (the “**Project**”).

The Target Company holds the land use right to the following investment properties under the Project:

- (a) a plot of land located at plot F02-10, the south zone of the Project (the “**South Zone**”) with gross floor area of approximately 212,000 sq.m. and a term ending in January 2057;
- (b) a plot of land located at plot F01-11, the north zone of the Project, (the “**North Zone**”) with gross floor area of approximately 507,000 sq.m. and a term ending in January 2057; and
- (c) a plot of land located at plot F02-08, the middle zone of the Project (the “**Middle Zone**”) with gross floor area of approximately 232,000 sq.m. and a term ending in January 2057.

As at the Latest Practicable Date, the Target Company (as chargor) has granted the Land Charge over the Middle Zone (as Charged Property) to Xiamen International Trust (as chargee) for securing the Secured Loan granted by Xiamen International Trust to Shenzhen Baoxin (an indirect non-wholly owned subsidiary of GSLG).

As at the Latest Practicable Date, the construction works in relation to the South Zone were completed, whereas the construction works in relation to the North and Middle Zones were still in progress and are expected to be completed in or around January 2025, per management of the Target Company.

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## LETTER FROM THE BOARD

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The unaudited financial information of the Target Company for the two years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	<b>For the year ended 31 December 2020 HK\$'000</b>	<b>For the year ended 31 December 2021 HK\$'000</b>	<b>For the nine months ended 30 September 2022 HK\$'000</b>
Revenue	1,314	10,002	481,897
Net profit/(loss) before taxation	120,031	30,920	(36,085)
Net profit/(loss) after taxation	85,700	16,547	(37,742)

The net asset value of the Target Company as at 30 September 2022 was approximately HK\$3,270 million.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

GSFG Group is principally engaged in the business of financial services, property investment and development, automation and securities investment. The property investment and development segment of GSFG Group has been under rapid development and expansion in recent years and is mainly rooted in the Guangdong – Hong Kong – Macau Greater Bay Area. GSFG Group is engaged in a number of property projects in Hong Kong and various major cities in the PRC, covering projects including commercial complexes, upscale residences, hotels, commercial apartments and office buildings.

It is part of the business strategies of GSFG Group to explore quality property projects in the Greater Bay Area for future development. The Acquisition which enables GSFG Group to participate in the Project adheres to GSFG Group's business strategies in further expanding its property investment and development portfolio. The Project forms part of a large scale urban development in Shantou City, comprising intelligent complex integrating high-end residence, cultural centre, five-star hotel, top-notch business, office buildings, offices and aesthetic mansions. The urban development is designed to promote regional development and innovation, encourage industrial upgrading of the city and to stimulate economic growth.

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## LETTER FROM THE BOARD

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Subject to the results of the due diligence review performed by the Purchaser on the Target Company, the Company is of the view that the capital required for further development of the Project could be mainly funded by the operating cash flow generated by the Target Company from the sale and/or rental of property units, taking into consideration (i) the forecasted positive operating cash flow to be generated from the Project upon 1st Tranche Completion, which is seemingly sufficient enough to pay for the incurred construction and related cost; (ii) the much higher average unit sales price as compared to the average unit construction cost of the property units under the Project as shown from the figures provided as of the valuation date; and (iii) the expected moderate growth in light of the recovery in the PRC property market in the foreseeable future.

It is anticipated that investment in the Project will expand the market presence and market share as well as enhance the market recognition and corporate profile of GSFG Group in the Greater Bay Area, thereby facilitating the business growth of GSFG Group in the long run. Besides, the Project operated by the Target Company will provide GSFG Group with an additional source of profit, and therefore enhance the profitability and financial position of GSFG Group. The Directors consider that the Acquisition is in line with GSFG Group's strategies to actively expand its property investment and development business.

Further, as at the date of the Framework Agreement, GSLG Group was indebted to GSFG Group for the GSLG Loan, together with all interest accrued thereon. As part of the total Consideration of the Acquisition would be settled by way of set-off against the GSLG Loan, the Directors believe that the Acquisition presents an opportunity for GSFG Group and GSLG Group to settle the GSLG Loan, together with all interest accrued thereon in full in an amiable manner.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are on normal commercial terms, and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) calculated in accordance with the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Yao Jianhui, being the Chairman and an executive Director of the Company, and Mr. Wong Chun Bong, being an independent non-executive Director of the Company, are also directors of GSLG. In light of their directorships in both the Company and GSLG, Mr. Yao Jianhui and Mr. Wong Chun Bong shall abstain from voting on the relevant board resolution(s) of the Company approving the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### PROVISION OF FINANCIAL ASSISTANCE TO CONNECTED PERSONS

Upon 1st Tranche Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company. The Vendor which holds the remaining 49% equity interest in the Target Company, together with its associates, will become connected persons of the Company at the subsidiary level. Accordingly, upon 1st Tranche Completion, the financial assistance provided by the Target Company to GSLG Group in the form of (i) the Amount Due from GSLG Group to the Target Company; and (ii) the Land Charge granted by the Target Company (as chargor) to Xiamen International Trust (as chargee) for securing the Secured Loan granted by Xiamen International Trust to Shenzhen Baoxin (an indirect non-wholly owned subsidiary of GSLG) shall constitute connected transactions for the Company under Chapter 14A of the Listing Rules (collectively, the “**Connected Transactions**”).

Given that GSLG, together with its associates, are connected persons of the Company at the subsidiary level and that (i) the Board has approved the Connected Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the Connected Transactions are fair and reasonable, and are on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole, taking in consideration (i) subject to the paragraphs headed “Sale and Purchase Agreement – Conditions precedent – 2nd Tranche Acquisition” and “Sale and Purchase Agreement – Completion – 2nd Tranche Completion” in this letter from the Board, the Purchaser shall have the right to purchase the 2nd Tranche Sale Equity Interest (representing the remaining 49% of the total equity interest and actual paid-up registered capital of the Target Company held by the Vendor) within twelve (12) months from 1st Tranche Completion; and (ii) if the 2nd Tranche Acquisition fails to be completed, the Target Company shall be entitled to interest payments on the Amount Due from GSLG Group at the interest rate of 12% per annum, accruing from the date of 1st Tranche Completion up to the date upon which the Amount Due from GSLG Group is fully settled. The connected transactions between the Target Company and GSLG Group is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

The Board is of the view that the following arrangements would significantly mitigate GSF Group’s credit risks exposure to the aforementioned financial assistance provided by the Target Company to GSLG Group in the form of the Connected Transactions upon 1st Tranche Completion:

- if the 2nd Tranche Acquisition is completed, (i) the Amount Due from GSLG Group shall be settled by way of set-off against the 2nd Tranche Consideration; and (ii) upon 2nd Tranche Completion, (a) Shenzhen Baoxin would be obliged to issue an irrevocable undertaking, pursuant to which Shenzhen Baoxin shall undertake to repay the Secured Loan in full upon 2nd Tranche Completion for the release of the Land Charge; and (b) the Purchaser shall be authorised to pay a sum equivalent to the Secured Loan to Xiamen International Trust directly as full settlement of the Secured Loan. Hence, the above arrangements shall serve to minimise any credit risks faced by GSF Group under the Connected Transactions upon 2nd Tranche Completion; or

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## LETTER FROM THE BOARD

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- alternatively, if the 2nd Tranche Sale Equity Interest is disposed to Other Potential Purchaser(s) instead, (i) Shenzhen Baoxin would be obliged to issue an irrevocable undertaking, pursuant to which Shenzhen Baoxin shall undertake to repay the Secured Loan in full upon the settlements made by the Other Potential Purchaser(s) for the release of the Land Charge; (ii) a condition precedent to the satisfaction of the Purchaser will be included in the sale and purchase agreement to be entered into between the Vendor and the Other Potential Purchaser(s) that the Other Potential Purchaser(s) could procure the payment of a sum equivalent to the Secured Loan to Xiamen International Trust directly as full settlement of the Secured Loan to release the Land Charge; (iii) a condition precedent to the satisfaction of the Purchaser will be included in the sale and purchase agreement to be entered into between the Vendor and the Other Potential Purchaser(s) that the Amount Due from GSLG Group will be settled; and (iv) the Purchaser would be entitled to receive a windfall gain of at least RMB20.0 million. Taking into consideration the Secured Loan and the Amount Due from GSLG Group shall be settled under the aforesaid arrangements between the Other Potential Purchaser(s) and the Vendor, the Board considers that GSFG Group's credit risks exposure to the Connected Transactions is largely mitigated.

Mr. Yao Jianhui, being the Chairman and an executive Director of the Company, and Mr. Wong Chun Bong, being an independent non-executive Director of the Company, are also directors of GSLG. In light of their directorships in both the Company and GSLG, Mr. Yao Jianhui and Mr. Wong Chun Bong will abstain from voting on the relevant board resolution(s) of the Company approving the Connected Transactions.

### INFORMATION ON THE PARTIES TO THE CONNECTED TRANSACTIONS

#### **The Company**

The Company is incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1282). GSFG Group is principally engaged in the business of financial services, property investment and development, automation and securities investment.

#### **GSLG**

GSLG is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 299). GSLG Group is principally engaged in property development and property investment in the PRC including sales and leasing of properties; trading of commodities and building materials in the PRC; and operation of cultural development business.

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## LETTER FROM THE BOARD

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### **Shenzhen Baoxin**

Shenzhen Baoxin is a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG. Shenzhen Baoxin is principally engaged in property investment.

### **EGM**

The EGM will be held at Unit 1908, 19/F., Tower 2, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong at 11:00 a.m. on Tuesday, 21 March 2023 for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

The voting in respect of the Acquisition at the EGM will be conducted by way of poll. As at the Latest Practicable Date, Mr. Yao Jianhui, being a director of both the Company and GSLG, is interested in 222,392 shares of GSLG, representing approximately 0.20% of the issued share capital of GSLG. In light of his interests in GSLG, Mr. Yao Jianhui and his associates will abstain from voting on the resolution(s) relating to the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) save for Mr. Yao Jianhui and his associates, no other Shareholders or any of their associates has any material interest in the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder; and (ii) no other Shareholder will be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you wish.

Register of members of the Company will be closed from Thursday, 16 March 2023 to Tuesday, 21 March 2023 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM. No transfer of Shares will be registered during those dates. In order to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 15 March 2023.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

### WARNING

**As completion of the Acquisition is subject to the satisfaction of a number of conditions precedent as set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).**

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

**1. FINANCIAL INFORMATION OF GSFG GROUP**

The financial information of GSFG Group for the six months ended 30 June 2022 and for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.hk1282.com>), respectively:

- (i) the interim report of the Company for the six months ended 30 June 2022 published on 29 September 2022 (pages 8 to 67):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900527.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 (pages 72 to 282):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042903347.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (pages 84 to 310):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042901275.pdf>

- (iv) the annual report of the Company for the year ended 31 December 2019 published on 28 April 2020 (pages 74 to 256):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042803067.pdf>

## 2. STATEMENT OF INDEBTEDNESS

## ENLARGED GROUP

## Borrowings

As at the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had outstanding borrowings (including current and non-current portions) of approximately HK\$1,408,464,000.

	<i>Notes</i>	<b>As at 31 December 2022</b> <i>HK\$'000</i> <i>(unaudited)</i>
<b>Secured</b>		
Bank loans	<i>(a)</i>	966,158
Trust receipts loans		<u>8,768</u>
Total secured borrowings		<u>974,926</u>
<b>Unsecured</b>		
Corporate bonds	<i>(b)</i>	341,000
Other loans	<i>(c)</i>	<u>92,538</u>
Total unsecured borrowings		<u>433,538</u>
<b>Total borrowings</b>		<u><u>1,408,464</u></u>

*Notes:*

- (a) The bank loans of approximately HK\$966,158,000 bear interest rate ranging from 4.8% to 6.5% per annum and are secured by:
- (i) guarantee provided by the Company, certain of its subsidiaries, related parties and shareholder of the Company;
  - (ii) the Enlarged Group's property, plant and equipment with an aggregate net carrying amount of approximately HK\$163,651,000; and
  - (iii) the Enlarged Group's investment properties with an aggregate carrying value of approximately HK\$1,765,757,000.

- (b) The corporate bonds are denominated in Hong Kong dollar with an aggregate amount of approximately HK\$341,000,000 and issued to several parties with coupon rates ranging from 7.0% to 8.0% per annum and repayable within one year from the respective issue dates.
- (c) The other loans are unsecured with interest rates ranging from 5.0% to 7.0% per annum and repayable within one year.

**Other payables to an independent third party**

As at 31 December 2022, the Enlarged Group had outstanding amount to an independent third party of approximately HK\$91,120,000 which is non-trade related, unsecured, interest-free and repayable within one year.

**Amount due to a former immediate holding company**

As at 31 December 2022, the Enlarged Group had outstanding amount due to a former immediate holding company of approximately HK\$1,139,000, which is non-trade related, unsecured, interest-free and repayable on demand.

**Amount due to a former fellow subsidiary**

As at 31 December 2022, the Enlarged Group had outstanding amount due to a former fellow subsidiary of approximately HK\$75,000, which is non-trade related, unsecured, interest-free and repayable on demand.

**Consideration payables to former non-controlling interests**

As at 31 December 2022, the Enlarged Group had outstanding consideration payables to former non-controlling interests in relation to acquisition of shares in a non-wholly owned subsidiary of approximately HK\$19,000,000, which is non-trade related, unsecured, interest-free and repayable within six months since the completion date of the acquisition.

**Lease liabilities**

As at 31 December 2022, the Enlarged Group had outstanding lease liabilities (including both current and non-current portions) of approximately HK\$4,340,000.

	<b>As at 31 December 2022</b>
	<i>HK\$'000</i>
	<i>(unaudited)</i>
Amounts payable	4,647
Less: future finance charges	<u>(307)</u>
	<u><u>4,340</u></u>

As at 31 December 2022, the lease liabilities have been measured at the present value of the remaining lease payments using a discounted rate ranging from 5.9% to 6.4%.

**Contingent liabilities or guarantees**

The Enlarged Group has arranged bank financing for certain purchasers of the Enlarged Group's property units and provided guarantees to secure obligations of such purchasers for repayments. As at 31 December 2022, guarantees amounting to approximately HK\$47,884,000 were given to banks with respect to loans procured by purchasers of the Enlarged Group's properties. Such guarantees would terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers; or (ii) the full repayment of mortgage loan by the purchasers of properties.

The Enlarged Group has issued guarantee to a financial institution located in the People's Republic of China in respect of facilities granted to a former intermediate holding company. Under the guarantee, the Enlarged Group, GSLG and a director of the Company were jointly and severally liable for the borrowings of approximately HK\$397,423,000 from the financial institution upon failure of the guaranteed entity to make payments when due.

Save as aforesaid or as otherwise disclosed herein, at the close of business on 31 December 2022, the Enlarged Group had neither any guarantee nor any other contingent liabilities in existence.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, at the close of business on 31 December 2022, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL SUFFICIENCY**

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition, the proposed acquisition of the Target Company, its expected internally generated funds and the present available banking facilities of GSFG Group, the Enlarged Group will have sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseeable circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

As disclosed in the 2022 Interim Report, GSFG Group recorded a net loss of approximately HK\$258.2 million for the six months ended 30 June 2022, as compared to a net profit of approximately HK\$206.7 million for the six months ended 30 June 2021. The gross profit of GSFG Group decreased by approximately 70.3% from approximately HK\$329.1 million for the six months ended 30 June 2021 to approximately HK\$97.9 million for the corresponding period in 2022. The decrease in gross profit was mainly due to the decrease in scale of the property projects made handover to customers and the increase in securities investment loss for the six months ended 30 June 2022 as compared to the corresponding period in 2021.

Save as disclosed above, the Directors confirmed that there had been no material adverse change in the financial or trading position of GSFG Group since 31 December 2021 (being the date to which the latest published audited financial results of GSFG Group were made up) up to and including the Latest Practicable Date.

**5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS**

Save for the transactions contemplated under the Sale and Purchase Agreement (details of which are disclosed in this circular), since 31 December 2021 (the date to which the latest published audited accounts of GSFG Group have been made up), no member of GSFG Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of GSFG Group.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the Acquisition.

## **6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

The ongoing COVID-19 pandemic and complex political and economic environment have brought unprecedented risks and challenges to the global economy. Along with with the popularisation of vaccination and the application of related drugs as well as the reopening of China's border and easing of travel restrictions, GSFG Group expects that the COVID-19 pandemic will be gradually kept under control, and the economy as a whole will have the opportunity to benefit from the relaxation of COVID-19 control policies.

### **Financial services business**

GSFG Group realises that the demand for the application of fintech in the financial industry has been on an increasing trend. Therefore, GSFG Group has increased its investment in optimising its e-trading mobile application to provide better client support services and up-to-date promotional and marketing strategies to adapt to the new investment pattern of investors. GSFG Group will continuously advance the network security of its electronic trading platform to protect clients' interests, overcome forthcoming challenges and seize opportunities. GSFG Group will continue to deepen its service capabilities in financial business to better meet the wealth management needs of various clients. In the meantime, it will connect more closely with the real economy to provide better and comprehensive financial services for the real economy and technological development.

### **Property investment and development business**

As far as property investment and development business is concerned, the leased and to-be-completed properties will continuously generate steadily increasing rents and management fees for GSFG Group. GSFG Group will prudently seize market opportunities, constantly optimise its financial structure, increase the efficiency of capital operation, and adjust its competition strategies in time, striving to provide strong support for business development.

The property investment and development segment of GSFG Group has been under rapid development and expansion in recent years and is mainly rooted in the Guangdong – Hong Kong – Macau Greater Bay Area. GSFG Group is engaged in a number of property projects in Hong Kong and various major cities in the PRC, covering projects including commercial complexes, upscale residences, hotels, commercial apartments and office buildings.

It is part of the business strategies of GSFG Group to explore quality property projects in the Greater Bay Area for future development. As disclosed in the paragraph headed “Information of the Target Company” in the Letter from the Board in this circular, the Target Company is engaged in a development and construction project in Shantou City, Guangdong Province, the PRC. The Acquisition which enables GSFG Group to participate in the Project adheres to GSFG Group’s business strategies in further expanding its property investment and development portfolio.

It is anticipated that investment in the Project will expand the market presence and market share as well as enhance the market recognition and corporate profile of the Enlarged Group in the Greater Bay Area, thereby facilitating the business growth of the Enlarged Group in the long run. Besides, the Project operated by the Target Company will provide the Enlarged Group with an additional source of profit, and therefore enhance the profitability and financial position of the Enlarged Group. The Directors consider that the Acquisition is in line with the Enlarged Group’s strategies to actively expand its property investment and development business.

#### **Automation business**

In recent years, GSFG Group has increased its resources in the advanced manufacturing services sector, providing advanced manufacturing equipment and productive services associated with intelligent manufacturing. GSFG Group’s automation segment has been providing world-class automated manufacturing devices and services for the industries of smartphones, Internet of Things, semiconductors, automotive electronics in the PRC. The intelligent and upgraded development of China’s manufacturing industry will continue to bring growth opportunities to the business segment. We will pay attention to investment opportunities in the semiconductor, automotive electronics and new energy manufacturing equipment industries, and identify suitable investment targets to seize the opportunities for rapid growth in the industries. GSFG Group will constantly expand its product lines and services, and provide advanced high-end intelligent manufacturing equipment and services for China’s electronic manufacturing industry, so as to make contributions to the development of China’s intelligent manufacturing industry.

#### **Securities investment business**

In 2023, in light of the uncertainties and volatilities in the global stock market expected to be brought by the COVID-19 pandemic and Russia-Ukraine war, GSFG Group will continue to adhere to its strategy for maintaining a balanced investment portfolio focusing on the shares with sound foundations as well as continuing record of dividend payment. We will continue our investment in those undervalued companies and their dividend-attached stocks such that we can better withstand the current and potential market pressure. Our emphasis will still be the steady value-added appreciation and the prudent deployment and allocation of the fund in the low interest rate environment.

GSFG Group's robust and diversified business portfolios and ability to capture market trading opportunities enable it to maintain stable shareholder returns. Looking forward to 2023, GSFG Group will adopt a prudent strategy for real estate and financial businesses, actively grasp investment opportunities in high-end manufacturing equipment and intelligent manufacturing sectors, seek business opportunities that can improve shareholder returns and enhance sustainable development capabilities, and conduct rigorous and prudent financial management to maintain a sound financial condition.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Target Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

**MAZARS CPA LIMITED**

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL  
FINANCIAL INFORMATION OF SHANTOU TAISHENG TECHNOLOGY LIMITED**

The Directors  
Glory Sun Financial Group Limited

**Introduction**

We report on the historical financial information of Shantou Taisheng Technology Limited\* (汕頭市泰盛科技有限公司)(the “**Target Company**”) set out on pages II-5 to II-76, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021 and 30 September 2022, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-5 to II-76 forms an integral part of this report, which has been prepared for inclusion in the circular of Glory Sun Financial Group Limited (the “**Company**”) dated 27 February 2023 (the “**Circular**”) in connection with the proposed acquisition of the Target Company by the Company.

**Sole Director's responsibility for the Historical Financial Information**

The sole director of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The sole director of the Company is responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

\* English name is for identification purpose only.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Company’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Target Company’s financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022, and of the Target Company’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The sole director of the Target Company is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) “Engagements to Review Historical Financial Statements” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

**Dividends**

We refer to Note 15 to the Historical Financial Information which states that no dividend have been paid by the Target Company in respect of the Relevant Periods.

**Preparation or audit of financial statements**

Note 1 to the Historical Financial Information contains information about whether the financial statements of the Target Company for the Relevant Periods have been audited and, if applicable, the name of auditors.

**Mazars CPA Limited***Certified Public Accountants*

Hong Kong, 27 February 2023

**HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the sole director of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”) and were audited by Mazars CPA Limited, *Certified Public Accountants*, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET COMPANY**
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December			Nine months ended 30 September	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	7	–	1,314	10,002	6,633	481,897
Cost of sales		–	(59)	(381)	(327)	(440,298)
Gross profit		–	1,255	9,621	6,306	41,599
Other income	8	3,706	3,879	5,172	3,861	3,279
Selling expenses		(8,120)	(6,795)	(12,907)	(8,193)	(25,749)
Administrative expenses		(10,128)	(7,604)	(10,368)	(5,787)	(9,070)
Fair value gain (loss) on investment properties	17	1,853	137,324	57,493	21,506	(31,808)
Impairment losses on trade receivables, net		–	–	–	–	(436)
Impairment losses on other receivables, net		(14)	(21)	(27)	(24)	(19)
(Loss) Profit from operations		(12,703)	128,038	48,984	17,669	(22,204)
Finance costs	9	(1,306)	(8,007)	(18,064)	(14,180)	(13,881)
<b>(Loss) Profit before income tax</b>	11	(14,009)	120,031	30,920	3,489	(36,085)
Income tax expense	10	(463)	(34,331)	(14,373)	(5,377)	(1,657)
<b>(Loss) Profit for the year/period</b>		(14,472)	85,700	16,547	(1,888)	(37,742)
<b>Other comprehensive (loss) income:</b>						
<i>Item that will not be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of functional currency to presentation currency		(35,332)	92,625	67,705	35,856	(266,296)
<b>Total comprehensive (loss) income for the year/period</b>		<u>(49,804)</u>	<u>178,325</u>	<u>84,252</u>	<u>33,968</u>	<u>(304,038)</u>

## STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December			At 30
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	September 2022 HK\$'000
<b>Non-current assets</b>					
Plant and equipment	16	5,355	12,942	16,440	10,482
Investment properties	17	<u>1,732,941</u>	<u>2,086,238</u>	<u>2,317,700</u>	<u>2,061,590</u>
		<u>1,738,296</u>	<u>2,099,180</u>	<u>2,334,140</u>	<u>2,072,072</u>
<b>Current assets</b>					
Inventories	18	1,252,383	1,805,699	2,525,601	2,078,184
Trade and other receivables	19	46,297	90,610	350,406	276,648
Prepayment for land appreciation tax ("LAT")		2,439	13,788	27,730	39,415
Amounts due from the intermediate holding companies	20	–	–	–	366,758
Amounts due from fellow subsidiaries	20	3,673	7,775	12,128	108,120
Restricted bank deposits	21	40,541	21,293	15,640	9,828
Bank balances and cash	21	<u>5,206</u>	<u>42,353</u>	<u>22,321</u>	<u>17,787</u>
		<u>1,350,539</u>	<u>1,981,518</u>	<u>2,953,826</u>	<u>2,896,740</u>
<b>Current liabilities</b>					
Interest-bearing borrowings	24	11,130	–	463,932	–
Trade and other payables	22	777,470	849,867	1,267,640	997,559
Contract liabilities	23	90,616	308,713	576,193	546,755
Amount due to the immediate holding company	20	94,605	100,130	104,125	1,139
Amount due to an intermediate holding company	20	–	35,340	36,750	–
Amount due to a fellow subsidiary	20	–	–	–	75
		<u>973,821</u>	<u>1,294,050</u>	<u>2,448,640</u>	<u>1,545,528</u>
<b>Net current assets</b>		<u>376,718</u>	<u>687,468</u>	<u>505,186</u>	<u>1,351,212</u>
<b>Total assets less current liabilities</b>		<u>2,115,014</u>	<u>2,786,648</u>	<u>2,839,326</u>	<u>3,423,284</u>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	24	493,860	944,683	892,411	–
Deferred tax liabilities	25	<u>109,747</u>	<u>152,233</u>	<u>172,931</u>	<u>153,216</u>
		<u>603,607</u>	<u>1,096,916</u>	<u>1,065,342</u>	<u>153,216</u>
<b>NET ASSETS</b>		<u>1,511,407</u>	<u>1,689,732</u>	<u>1,773,984</u>	<u>3,270,068</u>
<b>Capital and reserves</b>					
Share capital	26	1,230,120	1,230,120	1,230,120	2,640,638
Reserves	27	<u>281,287</u>	<u>459,612</u>	<u>543,864</u>	<u>629,430</u>
<b>TOTAL EQUITY</b>		<u>1,511,407</u>	<u>1,689,732</u>	<u>1,773,984</u>	<u>3,270,068</u>

## STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Reserves			Sub-total HK\$'000	Total HK\$'000	
		Capital reserve HK\$'000 (Note 27(a))	Statutory reserve HK\$'000 (Note 27(b))	Translation reserve HK\$'000 (Note 27(c))			Accumulated profits HK\$'000
<b>At 1 January 2019</b>	<u>1,230,120</u>	<u>–</u>	<u>–</u>	<u>(12,871)</u>	<u>343,962</u>	<u>331,091</u>	<u>1,561,211</u>
Loss for the year	–	–	–	–	(14,472)	(14,472)	(14,472)
<b>Other comprehensive loss:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of functional currency to presentation currency	–	–	–	(35,332)	–	(35,332)	(35,332)
Total comprehensive loss for the year	–	–	–	(35,332)	(14,472)	(49,804)	(49,804)
<b>At 31 December 2019</b>	<u>1,230,120</u>	<u>–</u>	<u>–</u>	<u>(48,203)</u>	<u>329,490</u>	<u>281,287</u>	<u>1,511,407</u>
<b>At 1 January 2020</b>	<u>1,230,120</u>	<u>–</u>	<u>–</u>	<u>(48,203)</u>	<u>329,490</u>	<u>281,287</u>	<u>1,511,407</u>
Profit for the year	–	–	–	–	85,700	85,700	85,700
<b>Other comprehensive income:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of functional currency to presentation currency	–	–	–	92,625	–	92,625	92,625
Total comprehensive income for the year	–	–	–	92,625	85,700	178,325	178,325
<b>Transaction with owner:</b> <i>Contributions and distributions</i>							
Appropriation of statutory reserve	–	–	9,006	–	(9,006)	–	–
Total transaction with owner for the year	–	–	9,006	–	(9,006)	–	–
<b>At 31 December 2020</b>	<u>1,230,120</u>	<u>–</u>	<u>9,006</u>	<u>44,422</u>	<u>406,184</u>	<u>459,612</u>	<u>1,689,732</u>
<b>At 1 January 2021</b>	<u>1,230,120</u>	<u>–</u>	<u>9,006</u>	<u>44,422</u>	<u>406,184</u>	<u>459,612</u>	<u>1,689,732</u>
Profit for the year	–	–	–	–	16,547	16,547	16,547
<b>Other comprehensive income:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of functional currency to presentation currency	–	–	–	67,705	–	67,705	67,705
Total comprehensive income for the year	–	–	–	67,705	16,547	84,252	84,252
<b>Transaction with owner:</b> <i>Contribution and distributions</i>							
Appropriation of statutory reserve	–	–	1,684	–	(1,684)	–	–
Total transaction with owner for the year	–	–	1,684	–	(1,684)	–	–
<b>At 31 December 2021</b>	<u>1,230,120</u>	<u>–</u>	<u>10,690</u>	<u>112,127</u>	<u>421,047</u>	<u>543,864</u>	<u>1,773,984</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET COMPANY**

	Share capital HK\$'000	Reserves			Accumulated profits HK\$'000	Sub-total HK\$'000	Total HK\$'000
		Capital reserve HK\$'000 (Note 27(a))	Statutory reserve HK\$'000 (Note 27(b))	Translation reserve HK\$'000 (Note 27(c))			
<b>At 1 January 2021 (unaudited)</b>	1,230,120	–	9,006	44,422	406,184	459,612	1,689,732
Loss for the period	–	–	–	–	(1,888)	(1,888)	(1,888)
<b>Other comprehensive income:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of functional currency to presentation currency	–	–	–	35,856	–	35,856	35,856
Total comprehensive income for the period	–	–	–	35,856	(1,888)	33,968	33,968
<b>At 30 September 2021 (unaudited)</b>	1,230,120	–	9,006	80,278	404,296	493,580	1,723,700
<b>At 1 January 2022</b>	1,230,120	–	10,690	112,127	421,047	543,864	1,773,984
Loss for the period	–	–	–	–	(37,742)	(37,742)	(37,742)
<b>Other comprehensive loss:</b> <i>Item that will not be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of functional currency to presentation currency	–	–	–	(266,296)	–	(266,296)	(266,296)
Total comprehensive loss for the period	–	–	–	(266,296)	(37,742)	(304,038)	(304,038)
<b>Transactions with owner:</b> <i>Contribution and distributions</i>							
Capital injection (Note 26(iii))	1,410,518	–	–	–	–	–	1,410,518
Modification of terms of loans from an intermediate holding company (Note 27(a))	–	389,604	–	–	–	389,604	389,604
Total transactions with owner for the period	1,410,518	389,604	–	–	–	389,604	1,800,122
<b>At 30 September 2022</b>	2,640,638	389,604	10,690	(154,169)	383,305	629,430	3,270,068

## STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)				
<b>OPERATING ACTIVITIES</b>					
(Loss) Profit before income tax	(14,009)	120,031	30,920	3,489	(36,085)
Adjustments for:					
Depreciation	1,387	1,394	6,501	4,145	5,043
Fair value (gain) loss on investment properties	(1,853)	(137,324)	(57,493)	(21,506)	31,808
Finance costs	1,306	8,007	18,064	14,180	13,881
Impairment losses on trade receivables	-	-	-	-	436
Impairment losses on other receivables	14	21	27	24	19
Interest income from bank balances	(141)	(300)	(530)	(411)	(169)
<b>Operating cash (outflow) inflow before movements in working capital</b>	(13,296)	(8,171)	(2,511)	(79)	14,933
Inventories	(170,127)	(263,063)	(328,326)	(308,069)	370,524
Trade and other receivables	(21,220)	(39,628)	(251,817)	(241,894)	51,154
Amounts due from fellow subsidiaries	(3,752)	(3,699)	(3,973)	(4,818)	2,860
Restricted bank deposits	(41,415)	20,570	6,392	8,626	4,948
Trade and other payables	74,641	53,613	378,261	230,263	2,368
Contract liabilities	91,264	194,501	232,725	157,275	(2,318)
Cash (used in) generated from operations	(83,905)	(45,877)	30,751	(158,696)	444,469
Interest income from bank balances	141	300	530	411	169
Income tax paid	(2,491)	(10,664)	(13,163)	(8,472)	(23,597)
<b>Net cash (used in) from operating activities</b>	(86,255)	(56,241)	18,118	(166,757)	421,041

**APPENDIX II**
**FINANCIAL INFORMATION OF THE TARGET COMPANY**

	<i>Note</i>	Year ended 31 December			Nine months ended	
		2019	2020	2021	30 September	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
<b>INVESTING ACTIVITIES</b>						
Purchase of plant and equipment		(6,443)	(8,317)	(9,432)	(2,883)	–
Additions to investment properties		(291,038)	(296,449)	(396,617)	(197,570)	(20,703)
Advance to an intermediate holding company		–	–	–	–	(286,987)
Advance to a fellow subsidiary		–	–	–	–	(111,865)
<b>Net cash used in investing activities</b>		<u>(297,481)</u>	<u>(304,766)</u>	<u>(406,049)</u>	<u>(200,453)</u>	<u>(419,555)</u>
<b>FINANCING ACTIVITIES</b>						
	29(b)					
Proceeds from interest-bearing borrowings		700,074	435,192	449,431	385,637	–
Repayment of interest-bearing borrowings		(415,005)	(44,840)	(81,872)	(39,607)	–
Interest paid		(1,819)	(571)	(977)	–	(980)
Advance from the immediate holding company		96,645	–	–	–	–
<b>Net cash from (used in) financing activities</b>		<u>379,895</u>	<u>389,781</u>	<u>366,582</u>	<u>346,030</u>	<u>(980)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(3,841)</u>	<u>28,774</u>	<u>(21,349)</u>	<u>(21,180)</u>	<u>506</u>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		7,367	5,206	42,353	42,353	22,321
Effect on exchange rate changes		1,680	8,373	1,317	824	(5,040)
<b>Cash and cash equivalents at the end of the reporting period, represented by cash and cash equivalent</b>		<u>5,206</u>	<u>42,353</u>	<u>22,321</u>	<u>21,997</u>	<u>17,787</u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL INFORMATION**

Shantou Taisheng Technology Limited\* (汕頭市泰盛科技有限公司) (the “**Target Company**”) is a limited liability company incorporated in the People’s Republic of China (the “**PRC**”). During the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022 (the “**Relevant Periods**”), the registered office and principal place of business of the Target Company are situated at 3/F, Block D4, Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou, the PRC.

The immediate holding company of the Target Company is Shenzhen Hong Jia Xin Technology Limited\* (深圳宏佳新科技有限公司) (“**Shenzhen Hong Jia**”), which is a limited liability company incorporated in the PRC. In the opinion of the sole director of the Target Company, the ultimate holding company is Glory Sun Land Group Limited, which is incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

During the Relevant Periods, the Target Company is principally engaged in property development and property investment.

The financial statements of the Target Company for the years ended 31 December 2019 and 2020, as prepared in accordance with respective local financial reporting standards, that fall into the Relevant Periods have been audited by 中喜會計師事務所(特殊普通合夥)深圳分所. The auditor’s reports were not qualified or otherwise modified; did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the reports. No statutory audited financial statements have been prepared by the Target Company subsequent to the year ended 31 December 2020 as it is not required to issue audited financial statements under the statutory requirements of the PRC.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information presents the financial track record of the Target Company for the Relevant Periods and is prepared for the purposes of inclusion in a circular of Glory Sun Financial Group Limited (the “**Company**”) to its shareholders for the acquisition of the Target Company, using the accounting policies which are materially consistent with those of the Company as applied in the Company’s consolidated financial statements for the year ended 31 December 2021, except for those HKFRSs that are effective for the financial years beginning on or after 1 January 2022 and applicable to the Historical Financial Information.

\* *English name is for identification purpose only.*

The Historical Financial Information was prepared by the sole director of the Target Company, based on the Underlying Financial Statements of the Target Company for the Relevant Periods. In preparing the Historical Financial Information, no adjustments have been made to the Underlying Financial Statements by the sole director of the Target Company.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with HKFRSs issued by the HKICPA.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Target Company has consistently adopted all those new/revised HKFRSs that are relevant to its operations and are effective during the Relevant Periods, including HKFRS 16 “Leases”.

A summary of the significant accounting policies adopted by the Target Company in preparing the Historical Financial Information is set out below.

#### **Basis of measurement**

The measurement basis used in the preparation of the Historical Financial Information is historical cost, except for the investment properties which are measured at fair value through profit or loss.

**Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5 years

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

**Investment properties**

Investment properties are building that are held by owner or lessee, to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

**Investment properties under construction**

Investment properties under construction are initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment properties under construction will be measured at cost less impairment until such time as fair value can be determined or construction is completed, in which time any difference between the fair value and the previous carrying amount is recognised in profit or loss in that period.

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

**Financial instruments*****Financial assets****Recognition and derecognition*

Financial assets are recognised when and only when the Target Company becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Company's contractual rights to future cash flows from the financial asset expire or (ii) the Target Company transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset.

If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

*Classification and measurement*

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Target Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Target Company changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

*Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Target Company's financial assets at amortised cost include trade and other receivables, amounts due from the intermediate holding companies/fellow subsidiaries, restricted bank deposits and bank balances and cash.

***Financial liabilities***

*Recognition and derecognition*

Financial liabilities are recognised when and only when the Target Company becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

*Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Target Company's financial liabilities include trade and other payables, interest-bearing borrowings and amounts due to the immediate holding company/an intermediate holding company/a fellow subsidiary. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within FVPL trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses (“ECL”) model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

***Impairment of financial assets***

The Target Company recognises loss allowances for ECL on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Target Company measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Company measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

*Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) nature of financial instruments;
- (ii) past-due information;
- (iii) nature, size and industry of debtors;
- (iv) geographical location of debtors; and
- (v) external credit risk ratings where available.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

*Definition of default*

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Target Company may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Target Company considers that default has occurred when a financial asset is more than 90 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Target Company.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information to demonstrate otherwise.

For financial guarantee contracts, the date that the Target Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. For financial guarantee contracts, the Target Company considers the changes in the risk that the specified debtor will default on the contract.

Notwithstanding the foregoing, the Target Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

#### *Low credit risk*

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

#### *Simplified approach of ECL*

For trade receivables without a significant financing components or otherwise for which the Target Company applies the practical expedient not to account for the significant financing components, the Target Company applies a simplified approach in calculating ECL. The Target Company recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix with appropriate groupings, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### *Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

#### *Write-off*

The Target Company writes off a financial asset when the Target Company has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Target Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Target Company's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

#### **Cash equivalents**

For the purpose of the statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Properties under development**

Properties under development are stated at the lower of cost and net realisable value. Development costs include acquisition costs, construction costs, borrowing costs capitalised and other direct costs attributable to such properties during the construction period. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. On completion, the properties are reclassified to properties held for sale at the carrying amount.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

#### **Properties held for sale**

Completed properties remaining unsold at the end of each relevant year/period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

### **Revenue recognition**

#### ***Revenue from contracts with customers within HKFRS 15***

##### *Nature of goods or services*

The nature of the goods provided by the Target Company is sales of properties.

##### *Identification of performance obligations*

At contract inception, the Target Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Target Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

*Timing of revenue recognition*

Revenue is recognised when (or as) the Target Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Target Company's performance as the Target Company performs;
- (b) the Target Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;  
or
- (c) the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Company satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Company considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sales of properties is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are transferred to customers and the title is passed. The properties have generally no alternative use for the Target Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

*Transaction price: significant financing components*

When the contract contains a significant financing component (i.e. the customer or the Target Company is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Target Company adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Target Company determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Target Company and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Target Company's borrowing rates and other relevant creditworthiness information of the customer of the Target Company.

The Target Company has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

### ***Rental income***

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

### ***Interest income***

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

### **Contract assets and contract liabilities**

If the Target Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Target Company has a right to an amount of consideration that is unconditional, before the Target Company transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Target Company's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the sales of properties, it is common for the Target Company to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Target Company recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

### **Foreign currency translation**

Items included in the financial statements of each of the Target Company are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Target Company’s functional currency is Renminbi (“**RMB**”). The Historical Financial Information is presented in the currency of Hong Kong Dollars (“**HK\$**”), which is the Target Company’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of the Target Company that has a functional currency different from the presentation currency (“**foreign operations**”) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate; and
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Target Company’s net investment in a foreign operation are recognised as a separate component of equity.

**Impairment of non-financial assets**

At the end of each reporting period, the Target Company reviews internal and external sources of information to assess whether there is any indication that plant and equipment may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

**Borrowing costs**

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

**Provisions**

Provisions are recognised when the Target Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Target Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan and the proceeds received.

**Leases**

The Target Company assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Target Company as lessor*

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

The Target Company has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

**Employee benefits***Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

*Defined contribution plans*

In accordance with the rules and regulations in the PRC, the employees of the Target Company established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Target Company has no further obligation for the payment of retirement benefits to its employees.

**Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are nonassessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Target Company and it is probable that the temporary difference will not reverse in the foreseeable future.

**Related parties**

A related party is a person or entity that is related to the Target Company.

- (a) A person or a close member of that person's family is related to the Target Company if that person:
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of the holding company of the Target Company.
- (b) An entity is related to the Target Company if any of the following conditions applies:
  - (i) The entity and the Target Company are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the holding company of the Target Company.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

### **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Company's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

### **Critical accounting judgements and key sources of estimate uncertainty**

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

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

***Critical judgement in applying accounting policies******(i) Deferred tax for investment properties***

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the sole director of the Target Company has reviewed the Target Company's investment property portfolios and concluded that the Target Company's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Target Company's deferred taxation on investment properties, the sole director of the Target Company has determined that the presumption of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Target Company has recognised deferred taxation on changes in fair value of investment properties as the Target Company is subject to PRC Enterprise Income Tax ("EIT").

***Key sources of estimation uncertainty***

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

***(i) Income taxes and deferred tax***

The Target Company is subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Moreover, the Target Company is subject to LAT in the PRC. The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of the sales of properties less the estimated deductible expenditures, the cost of land use rights and all relevant property development expenditures. Significant judgment is required in estimating the amounts of land appreciation and the applicable LAT rate due to the uncertainty of proceeds of sales of properties and deductible expenditures. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Target Company have not finalised their LAT calculations and payments with any local tax authorities in the PRC. The amount of the land appreciation is determined with reference to proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all relevant property development expenditures. The Target Company recognised the LAT based on the management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

*(ii) Fair value of investment properties*

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

*(iii) Provision for net realisable value on properties under development and properties held for sale*

Properties under development and properties held for sale are stated at the lower of the cost and net realisable value. Based on the experience of the sole director of the Target Company and the nature of the subject properties, the sole director of the Target Company determines the net realisable value of properties under development and properties held for sale by reference to the estimated market prices of the properties under development and properties held for sale, which takes into account a number of factors including the recent prices of similar property types in the same project or by similar properties, and the prevailing real estate market conditions in the PRC. The sole director of the Target Company estimates the costs to completion and costs necessary to make the sale by reference to the actual development cost of other similar completed projects of the Target Company.

**Future changes in HKFRSs**

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Company has not early adopted:

Amendments to HKAS 1	<i>Disclosure of Accounting Policies</i> <sup>(1)</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>(1)</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>(1)</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>(1)</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>(1)</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>(2)</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <sup>(2)</sup>
Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i> <sup>(2)</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>(3)</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>(3)</sup> The effective date to be determined.

The management of the Target Company does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Target Company's financial information.

**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Target Company's principal financial instruments comprise of restricted bank deposits, bank balances and cash, interest-bearing borrowings and amounts due from (to) the immediate holding company/the intermediate holding companies/fellow subsidiaries. The main purpose of these financial instruments is to raise and maintain finance for the Target Company's operations. The Target Company has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Target Company's financial instruments are credit risk, liquidity risk and interest rate risk. The Target Company does not have any written risk management policies and guidelines. However, the management meets regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on its risk management and limit the Target Company's exposure to these risks to a minimum as follows:

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with authorised financial institutions and other financial instruments.

The Target Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Target Company considers to have low credit risk.

Except for the financial guarantee given by the Target Company as set out in Note 31 to the Historical Financial Information, the Target Company does not provide any other guarantees which would expose the Target Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the Relevant Periods is disclosed in Note 31 to the Historical Financial Information.

***Trade receivables***

Customer credit risk is managed by the Target Company's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Target Company does not obtain collateral from customers. At 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company had a concentration of credit risk as approximately nil, 100%, 100% and 39%, respectively, of the total trade receivables due from the Target Company's largest trade debtor and approximately nil, 100%, 100% and 85%, respectively, of the total trade receivables due from the Target Company's five largest trade debtors.

The Target Company measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using the probability of default, loss given default and the exposure at default with reference to the historical data of the market of the debtors' and the industry.

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The following tables provide information about the Target Company's exposure to credit risk and ECL for trade receivables at the end of the Relevant Periods:

<b>Year ended 31 December 2019</b>	<b>Expected loss rate %</b>	<b>Gross carrying amount HK\$'000</b>	<b>Loss allowance HK\$'000</b>
Current (not past due) to			
30 days past due	0.00	–	–
31-90 days past due	0.00	–	–
More than 90 days past due	0.00	–	–
		<u>–</u>	<u>–</u>

<b>Year ended 31 December 2020</b>	<b>Expected loss rate %</b>	<b>Gross carrying amount HK\$'000</b>	<b>Loss allowance HK\$'000</b>
Current (not past due) to			
30 days past due	0.00	–	–
31-90 days past due	0.00	266	–
More than 90 days past due	0.00	–	–
		<u>266</u>	<u>–</u>

<b>Year ended 31 December 2021</b>	<b>Expected loss rate %</b>	<b>Gross carrying amount HK\$'000</b>	<b>Loss allowance HK\$'000</b>
Current (not past due) to			
30 days past due	0.00	–	–
31-90 days past due	0.00	–	–
More than 90 days past due	0.00	300	–
		<u>300</u>	<u>–</u>

Nine months ended 30 September 2022	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due) to			
30 days past due	7.98	163	13
31-90 days past due	8.23	2,806	232
More than 90 days past due	8.55	<u>1,989</u>	<u>170</u>
		<u>4,958</u>	<u>415</u>

ECL rates are based on the probability of default, loss given default and the exposure at default with reference to the historical data of the market of the debtors' and the industry. The loss allowance based on past due status is further distinguished between the Target Company's different customer bases. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Company's estimate on future economic conditions over the expected lives of the receivables. As the Target Company's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Company's different customer bases.

There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

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The following table shows the movements in allowance for ECL that has been recognised for trade receivables during the Relevant Periods:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
<b>Trade receivables</b>					
At the beginning of					
the reporting period	-	-	-	-	-
Impairment losses recognised					
during the year/period	-	-	-	-	436
Exchange differences	-	-	-	-	(21)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21)</u>
At the end of the reporting period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415</u>

The significant changes in the gross carrying amounts of trade receivables contributed to the changes in the loss allowance during the nine months ended 30 September 2022 due to the Target Company commenced its sales of properties during the nine months ended 30 September 2022.

***Other receivables and amounts due from the intermediate holding companies/fellow subsidiaries***

In respect of other receivables, the Target Company monitors the exposures and manages them based on historical settlement records and past experience, current conditions and forecasts of future economic conditions. At the end of each reporting period, the credit risk on other receivables and amounts due from the intermediate holding companies/fellow subsidiaries has not increased significantly since initial recognition, the Target Company measures the loss allowance for other receivables and amounts due from the intermediate holding companies/fellow subsidiaries at an amount equal to 12-month ECL. Movement in the loss allowance in respect of other receivables and amounts due from the intermediate holding companies/fellow subsidiaries during the Relevant Periods is as follows:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
At the beginning of the reporting period	–	15	37	37	66
Impairment losses recognised during the year/period	14	21	27	24	19
Exchange differences	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>(6)</u>
At the end of the reporting period	<u>15</u>	<u>37</u>	<u>66</u>	<u>63</u>	<u>79</u>

There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

**Liquidity risk**

Management of the Target Company aims at maintaining sufficient level of cash and cash equivalents to finance the Target Company's operations and expected expansion. The Target Company's primary cash requirements include payments for operating expenses and additions or upgrades of plant and equipment. The Target Company finances its working capital requirements mainly by the funds generated from operations.

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The maturity analysis based on contractual undiscounted cash flows of the Target Company's non-derivative financial liabilities at the end of each reporting period is as follows:

	<b>Total</b>	<b>Total</b>	<b>Less than</b>		
	<b>carrying</b>	<b>contractual</b>	<b>1 year or on</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
	<b>amount</b>	<b>undiscounted</b>	<b>demand</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 December 2019</b>					
Trade and other payables	777,470	777,470	777,470	–	–
Interest-bearing borrowings	504,990	658,268	11,253	14,789	632,226
Amount due to the immediate holding company	94,605	94,605	94,605	–	–
	<u>1,377,065</u>	<u>1,530,343</u>	<u>883,328</u>	<u>14,789</u>	<u>632,226</u>

	<b>Total</b>	<b>Total</b>	<b>Less than</b>		
	<b>carrying</b>	<b>contractual</b>	<b>1 year or on</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
	<b>amount</b>	<b>undiscounted</b>	<b>demand</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 December 2020</b>					
Trade and other payables	849,867	849,867	849,867	–	–
Interest-bearing borrowings	944,683	1,179,403	–	607,838	571,565
Amount due to the immediate holding company	100,130	100,130	100,130	–	–
Amount due to an intermediate holding company	35,340	35,340	35,340	–	–
	<u>1,930,020</u>	<u>2,164,740</u>	<u>985,337</u>	<u>607,838</u>	<u>571,565</u>

	<b>Total</b>	<b>Total</b>	<b>Less than</b>		
	<b>carrying</b>	<b>contractual</b>	<b>1 year or on</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>
	<b>amount</b>	<b>undiscounted</b>	<b>demand</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 December 2021</b>					
Trade and other payables	1,267,640	1,267,640	1,267,640	–	–
Interest-bearing borrowings	1,356,343	1,584,410	493,281	540,901	550,228
Amount due to the immediate holding company	104,125	104,125	104,125	–	–
Amount due to an intermediate holding company	36,750	36,750	36,750	–	–
	<u>2,764,858</u>	<u>2,992,925</u>	<u>1,901,796</u>	<u>540,901</u>	<u>550,228</u>

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Less than 1 year or on demand <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>
<b>At 30 September 2022</b>					
Trade and other payables	997,559	997,559	997,559	-	-
Amount due to the immediate holding company	1,139	1,139	1,139	-	-
Amount due to a fellow subsidiary	<u>75</u>	<u>75</u>	<u>75</u>	<u>-</u>	<u>-</u>
	<u>998,773</u>	<u>998,773</u>	<u>998,773</u>	<u>-</u>	<u>-</u>

### Interest rate risk

The Target Company's exposure to market risk for changes in interest rates relates primarily to the Target Company's interest-bearing borrowings. Interest charged on the Target Company's borrowings are at fixed rates. The Target Company does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arises.

At the end of each reporting period, if interest rate had been 100 basis point higher/lower and all other variable were held constant, the Target Company's (loss) profit before tax would (increase/decrease) decrease/increase by approximately HK\$2,684,000, HK\$7,015,000, HK\$12,710,000 and nil for the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022 (nine months ended 30 September 2021: HK\$9,417,000 (unaudited)), respectively. The Target Company's sensitivity to interest rates has decreased during the Relevant Periods mainly due to the reduction in variable rate debt instruments.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at the end of each reporting period. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

## 5. FAIR VALUE MEASUREMENTS

### Financial instruments

All financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 December 2019, 2020 and 2021 and 30 September 2022.

### Investment properties

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy at the end of each reporting period:

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2019</b>				
Recurring fair value measurements:				
Investment properties	<u>–</u>	<u>87,927</u>	<u>1,645,014</u>	<u>1,732,941</u>
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2020</b>				
Recurring fair value measurements:				
Investment properties	<u>–</u>	<u>97,774</u>	<u>1,988,464</u>	<u>2,086,238</u>

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	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2021</b>				
Recurring fair value measurements:				
Investment properties	<u>–</u>	<u>106,575</u>	<u>2,211,125</u>	<u>2,317,700</u>

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 30 September 2022</b>				
Recurring fair value measurements:				
Investment properties	<u>–</u>	<u>96,815</u>	<u>1,964,775</u>	<u>2,061,590</u>

Reconciliation of investment properties measured at fair value based on level 3:

	Year ended 31 December			Nine months ended 30 September
	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Fair value</b>				
At the beginning of the reporting period	1,480,017	1,645,014	1,988,464	2,211,125
Transfer upon completion	(89,823)	–	–	–
Transfer from properties under development	–	81,887	285,146	–
Transfer to properties under development	–	(275,766)	(593,572)	(86,950)
Additions	291,038	296,449	396,617	20,703
Fair value gain (loss)	1,853	132,840	52,677	(29,416)
Exchange differences	<u>(38,071)</u>	<u>108,040</u>	<u>81,793</u>	<u>(150,687)</u>
<b>At the end of the reporting period</b>	<u><b>1,645,014</b></u>	<u><b>1,988,464</b></u>	<u><b>2,211,125</b></u>	<u><b>1,964,775</b></u>

Disclosure of valuation process used by the Target Company and valuation techniques and inputs used in fair value measurements:

The Target Company's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the sole director of the Target Company for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the sole director at least twice a year.

For level 3 fair value measurements, the Target Company will engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The following table shows significant unobservable inputs used by Valtech Valuation Advisory Limited, the independent professional valuer engaged by the Target Company, in its valuation models for the investment properties at 31 December 2019, 2020, 2021 and 30 September 2022:

***Level 2 fair value measurements***

Description	Valuation technique	Inputs	Fair value at	Fair value at	Fair value at	Fair value at
			31 December 2019	31 December 2020	31 December 2021	30 September 2022
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment properties	Direct comparison approach	Market price of comparable	<u>87,927</u>	<u>97,774</u>	<u>106,575</u>	<u>96,815</u>

*Level 3 fair value measurements*

Description	Valuation technique	Inputs	Range	Effect on fair value for increase in inputs	Fair value at 31 December 2019 <i>HK\$'000</i>
Investment properties under development	Direct comparison approach	Price per square meter, taking into account the differences in time, location, condition, size, age and other individual factors between the comparables and the property	Approximately RMB11,500–RMB20,000 (equivalent to HK\$12,800–HK\$22,260) per square meter	Increase	1,645,014
Description	Valuation technique	Inputs	Range	Effect on fair value for increase in inputs	Fair value at 31 December 2020 <i>HK\$'000</i>
Investment properties under development	Direct comparison approach	Price per square meter, taking into account the differences in time, location, condition, size, age and other individual factors between the comparables and the property	Approximately RMB11,500–RMB18,000 (equivalent to HK\$13,547–HK\$21,204) per square meter	Increase	1,988,464
Description	Valuation technique	Inputs	Range	Effect on fair value for increase in inputs	Fair value at 31 December 2021 <i>HK\$'000</i>
Investment properties under development	Direct comparison approach	Price per square meter, taking into account the differences in time, location, condition, size, age and other individual factors between the comparables and the property	Approximately RMB11,000–RMB18,000 (equivalent to HK\$13,475–HK\$22,050) per square meter	Increase	2,211,125

Description	Valuation technique	Inputs	Range	Effect on fair value for increase in inputs	Fair value at 30 September 2022 HK\$'000
Investment properties under development	Direct comparison approach	Price per square meter, taking into account the differences in time, location, condition, size, age and other individual factors between the comparables and the property	Approximately RMB11,300–RMB15,000 (equivalent to HK\$12,871–HK\$17,085) per square meter	Increase	1,964,775

## 6. SEGMENT INFORMATION

The sole director of the Target Company has determined that the Target Company has a single operating and reportable segment throughout the Relevant Periods, as the Target Company manages its business as a whole as property development and property investment and the sole director of the Target Company, being the chief operating decision maker of the Target Company, regularly reviews the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Target Company. As this is the only operating segment of the Target Company, no further analysis for segment information is presented.

In determining the Target Company's geographical segments and revenues are based on the location in which the customers are located; assets and capital expenditure are attributed to the segments based on the locations of the assets.

The principal place of the Target Company's operations is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Target Company regarded the PRC as its country of domicile. The Target Company's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

**Information about major customers**

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Target Company during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A	–	1,137	4,886	3,653	Note
Customer B	–	177	1,137	850	Note
Customer C	–	–	1,015	Note	Note
Customer D	–	–	–	–	352,506

Note: The customers contributed less than 10% of the total revenue of the Target Company for relevant reporting periods.

**7. REVENUE**

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Revenue from contracts with customers</b>					
<b>within HKFRS 15</b>					
– at a point in time					
Sales of properties	–	–	–	–	471,346
<b>Revenue from other sources</b>					
Rental income	–	1,314	10,002	6,633	10,551
	–	1,314	10,002	6,633	481,897

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**8. OTHER INCOME**

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	2022
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				(unaudited)	
Interest income from bank balances	141	300	530	411	169
Government grants ( <i>Note</i> )	–	–	181	166	84
Management fee income from fellow subsidiaries	3,527	3,477	3,735	2,792	2,782
Others	<u>38</u>	<u>102</u>	<u>726</u>	<u>492</u>	<u>244</u>
	<u>3,706</u>	<u>3,879</u>	<u>5,172</u>	<u>3,861</u>	<u>3,279</u>

*Note:* In the opinion of the management of the Target Company, there was no unfulfilled condition or contingency relating to the government grants during the Relevant Periods.

**9. FINANCE COSTS**

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	2022
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				(unaudited)	
Interest on other borrowings	25,828	1,271	528	308	–
Interest on loans from an intermediate holding company	30,169	84,084	152,506	113,033	–
Interest on financing component of contract liabilities	<u>1,306</u>	<u>8,007</u>	<u>18,064</u>	<u>14,180</u>	<u>13,881</u>
Total borrowing costs	57,303	93,362	171,098	127,521	13,881
Less: Borrowing costs capitalised into properties under development ( <i>Note</i> )	<u>(55,997)</u>	<u>(85,355)</u>	<u>(153,034)</u>	<u>(113,341)</u>	<u>–</u>
	<u>1,306</u>	<u>8,007</u>	<u>18,064</u>	<u>14,180</u>	<u>13,881</u>

*Note:* During the years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022, the weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 13.89%, 11.93%, 11.93% and nil (nine months ended 30 September 2021: 11.97% (unaudited)), respectively.

## 10. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				(unaudited)	
<b>Current tax</b>					
PRC EIT – current year/period	-	-	-	-	-
PRC LAT	-	-	-	-	9,608
<b>Deferred tax (Note 25)</b>					
Origination and reversal of temporary differences	463	34,331	14,373	5,377	(7,951)
Income tax expense for the year/period	<u>463</u>	<u>34,331</u>	<u>14,373</u>	<u>5,377</u>	<u>1,657</u>

PRC EIT has been provided at a rate of 25% during the Relevant Periods.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of prepaid lease payments and all property development expenditures, which is included in the statement of profit or loss and other comprehensive income as income tax. The Target Company 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.

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***Reconciliation of income tax expense***

	Year ended 31 December			Nine months ended	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(Loss) Profit before income tax	<u>(14,009)</u>	<u>120,031</u>	<u>30,920</u>	<u>3,489</u>	<u>(36,085)</u>
Income tax at tax rate of 25%	(3,502)	30,008	7,730	872	(9,021)
Non-deductible expenses	252	86	120	5	315
LAT	–	–	–	–	9,608
EIT effect of LAT	–	–	–	–	(2,402)
Unrecognised tax losses	2,479	322	891	121	–
Unrecognised temporary differences	1,234	3,915	5,632	4,379	4,910
Utilisation of unrecognised tax losses	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,753)</u>
Income tax expense for the year/ period	<u>463</u>	<u>34,331</u>	<u>14,373</u>	<u>5,377</u>	<u>1,657</u>

## 11. (LOSS) PROFIT BEFORE INCOME TAX

This is stated after charging:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Other items</b>					
Auditor's remuneration	89	77	–	–	–
Cost of inventories	–	–	–	–	439,892
Depreciation of plant and equipment	1,387	1,394	6,501	4,145	5,043
Direct operating expenses arising from investment properties that generate rental income	–	59	381	327	406
Impairment losses on trade receivables, net	–	–	–	–	436
Impairment losses on other receivables, net	14	21	27	24	19

## 12. STAFF COSTS AND FIVE HIGHEST PAID INDIVIDUALS

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	
	HK\$'000	HK\$'000	HK\$'000	2021	2022
				HK\$'000	HK\$'000
				(unaudited)	
<b>Staff costs, including directors' remuneration</b>					
Salaries, allowances, discretionary bonus and other benefits in kind	17,942	16,735	18,036	12,270	11,249
Contributions to defined contribution plans	2,478	1,274	3,090	1,784	1,856
	<u>20,420</u>	<u>18,009</u>	<u>21,126</u>	<u>14,054</u>	<u>13,105</u>

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	
				2021	2022
				(unaudited)	
Director	-	-	-	-	-
Non-director	5	5	5	5	5
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

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Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Nine months ended	
				30 September	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances, discretionary bonus and other benefits in kind	2,765	2,248	2,376	1,767	1,760
Contributions to defined contribution plans	<u>341</u>	<u>198</u>	<u>381</u>	<u>281</u>	<u>305</u>
	<u><u>3,106</u></u>	<u><u>2,446</u></u>	<u><u>2,757</u></u>	<u><u>2,048</u></u>	<u><u>2,065</u></u>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended	
	2019	2020	2021	2021	2022
Nil to HK\$1,000,000	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

During the Relevant Periods, no remuneration were paid by the Target Company to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Company, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

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**13. DIRECTORS' EMOLUMENTS**

The amounts of remuneration received and receivable by the directors of the Target Company during the Relevant Periods are set out below.

**Year ended 31 December 2019**

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Liu Bingchuan ( <i>Note (i)</i> )	-	-	-	-	-
Mr. Zhou Hanxiong ( <i>Note (ii)</i> )	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Year ended 31 December 2020**

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Liu Bingchuan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Year ended 31 December 2021**

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Liu Bingchuan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Nine months ended 30 September 2021 (unaudited)**

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Liu Bingchuan	-	-	-	-	-

**Nine months ended 30 September 2022**

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Liu Bingchuan	-	-	-	-	-

*Notes:*

- (i) Mr. Liu Bingchuan was appointed as a director of the Target Company on 6 June 2019.
- (ii) Mr. Zhou Hanxiong resigned as a director of the Target Company on 6 June 2019.

The directors' emoluments shown above were for their services in connection with the management of the affairs of the Target Company.

During the Relevant Periods, no emoluments were paid by the Target Company to any of these directors as an inducement to join or upon joining the Target Company, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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**14. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

**15. DIVIDENDS**

The sole director of the Target Company did not recommend payment of any dividends for the Relevant Periods.

**16. PLANT AND EQUIPMENT**

	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2019	253	370	–	623
Additions	263	–	6,180	6,443
Exchange differences	<u>(11)</u>	<u>(8)</u>	<u>(131)</u>	<u>(150)</u>
At 31 December 2019 and 1 January 2020	505	362	6,049	6,916
Additions	68	–	8,249	8,317
Exchange differences	<u>32</u>	<u>21</u>	<u>773</u>	<u>826</u>
At 31 December 2020 and 1 January 2021	605	383	15,071	16,059
Additions	12	136	9,284	9,432
Exchange differences	<u>25</u>	<u>17</u>	<u>763</u>	<u>805</u>
At 31 December 2021 and 1 January 2022	642	536	25,118	26,296
Exchange differences	<u>(45)</u>	<u>(38)</u>	<u>(1,763)</u>	<u>(1,846)</u>
At 30 September 2022	<u><u>597</u></u>	<u><u>498</u></u>	<u><u>23,355</u></u>	<u><u>24,450</u></u>

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**FINANCIAL INFORMATION OF THE TARGET COMPANY**

	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Accumulated depreciation</b>				
At 1 January 2019	67	141	–	208
Depreciation	85	70	1,232	1,387
Exchange differences	<u>(3)</u>	<u>(5)</u>	<u>(26)</u>	<u>(34)</u>
At 31 December 2019 and 1 January 2020				
Depreciation	149	206	1,206	1,561
Exchange differences	<u>105</u>	<u>69</u>	<u>1,220</u>	<u>1,394</u>
Exchange differences	<u>13</u>	<u>16</u>	<u>133</u>	<u>162</u>
At 31 December 2020 and 1 January 2021				
Depreciation	267	291	2,559	3,117
Exchange differences	<u>120</u>	<u>98</u>	<u>6,283</u>	<u>6,501</u>
Exchange differences	<u>13</u>	<u>13</u>	<u>212</u>	<u>238</u>
At 31 December 2021 and 1 January 2022				
Depreciation	400	402	9,054	9,856
Exchange differences	<u>82</u>	<u>19</u>	<u>4,942</u>	<u>5,043</u>
Exchange differences	<u>(31)</u>	<u>(29)</u>	<u>(871)</u>	<u>(931)</u>
At 30 September 2022	<u>451</u>	<u>392</u>	<u>13,125</u>	<u>13,968</u>
	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Carrying amount</b>				
At 31 December 2019	<u>356</u>	<u>156</u>	<u>4,843</u>	<u>5,355</u>
At 31 December 2020	<u>338</u>	<u>92</u>	<u>12,512</u>	<u>12,942</u>
At 31 December 2021	<u>242</u>	<u>134</u>	<u>16,064</u>	<u>16,440</u>
At 30 September 2022	<u>146</u>	<u>106</u>	<u>10,230</u>	<u>10,482</u>

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**17. INVESTMENT PROPERTIES**

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Fair value</b>				
<b>Completed properties held for rental purpose and/or for capital appreciation:</b>				
At the beginning of the reporting period	–	87,927	97,774	106,575
Transfer upon completion	89,823	–	–	–
Fair value gain (loss)	–	4,484	4,816	(2,392)
Exchange differences	<u>(1,896)</u>	<u>5,363</u>	<u>3,985</u>	<u>(7,368)</u>
<b>At the end of the reporting period</b>	<b><u>87,927</u></b>	<b><u>97,774</u></b>	<b><u>106,575</u></b>	<b><u>96,815</u></b>
<b>Investment properties under development:</b>				
At the beginning of the reporting period	1,480,017	1,645,014	1,988,464	2,211,125
Transfer upon completion	(89,823)	–	–	–
Transfer from properties under development	–	81,887	285,146	–
Transfer to properties under development	–	(275,766)	(593,572)	(86,950)
Additions	291,038	296,449	396,617	20,703
Fair value gain (loss)	1,853	132,840	52,677	(29,416)
Exchange differences	<u>(38,071)</u>	<u>108,040</u>	<u>81,793</u>	<u>(150,687)</u>
<b>At the end of the reporting period</b>	<b><u>1,645,014</u></b>	<b><u>1,988,464</u></b>	<b><u>2,211,125</u></b>	<b><u>1,964,775</u></b>
<b>Total</b>	<b><u>1,732,941</u></b>	<b><u>2,086,238</u></b>	<b><u>2,317,700</u></b>	<b><u>2,061,590</u></b>
<b>Unrealised gain (loss) on properties revaluation included in profit or loss</b>	<b><u>1,853</u></b>	<b><u>137,324</u></b>	<b><u>57,493</u></b>	<b><u>(31,808)</u></b>

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At 31 December 2019, 2020 and 2021 and 30 September 2022, investment properties amounted to approximately HK\$1,732,941,000, HK\$2,086,238,000, HK\$1,841,175,000 and HK\$852,773,000, respectively are pledged as security to a financial institution located in the PRC for interest-bearing borrowings granted to an intermediate holding company.

The fair value of the Target Company’s investment properties at 31 December 2019, 2020 and 2021 have been carried out by Valtech Valuation Advisory Limited (“**Valtech**”) while the fair value of investment properties at 30 September 2022 have been carried out by AP Appraisal Limited (“**AP Appraisal**”). Valtech and AP Appraisal are independent professional valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

The valuation for completed properties was derived using the direct comparison approach based on recent market prices without any significant adjustment being made to the market observable data.

The valuation for investment properties under development was derived using the direct comparison approach by making reference to comparable sales evidence as available in the property market. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

There were no changes to the valuation techniques during the Relevant Periods.

The fair value measurement is based on the above properties’ highest and best use, which does not differ from their actual use.

During the Relevant Periods, there were no transfers into or out of level 3 or any other level.

**18. INVENTORIES**

	At 31 December			At 30
	2019	2020	2021	September
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>2022</i>
				<i>HK\$’000</i>
Properties under development	1,252,383	1,805,699	1,317,333	1,318,968
Properties held for sale	<u>          –</u>	<u>          –</u>	<u>1,208,268</u>	<u>759,216</u>
	<u>1,252,383</u>	<u>1,805,699</u>	<u>2,525,601</u>	<u>2,078,184</u>

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**APPENDIX II                      FINANCIAL INFORMATION OF THE TARGET COMPANY**


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At 31 December 2019, 2020 and 2021 and 30 September 2022, properties under development amounting to approximately HK\$1,252,383,000, HK\$1,805,699,000, HK\$1,317,333,000 and HK\$1,318,968,000, respectively and properties held for sale amounting to approximately nil, nil, HK\$1,041,292,000 and HK\$689,293,000, respectively are expected to be recovered in more than one year.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the carrying amount of properties under development amounting to approximately HK\$100,964,000, HK\$394,322,000, nil and nil, respectively and properties held for sale amounting to approximately nil, nil, HK\$1,208,268,000 and nil are pledged as security to a financial institution located in the PRC for interest-bearing borrowings granted to an intermediate holding company.

**19. TRADE AND OTHER RECEIVABLES**

		At 31 December		At 30 September	
		2019	2020	2021	2022
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables		-	266	300	4,958
Less: Loss allowance for ECL	4	-	-	-	(415)
		<u>-</u>	<u>266</u>	<u>300</u>	<u>4,543</u>
Other receivables		303	124	3,394	3,105
Prepayment and other deposits (Note (i))		20	16,484	264,126	252,960
Other tax assets (Note (ii))		<u>45,974</u>	<u>73,736</u>	<u>82,586</u>	<u>16,040</u>
		<u>46,297</u>	<u>90,344</u>	<u>350,106</u>	<u>272,105</u>
Total trade and other receivables		<u><u>46,297</u></u>	<u><u>90,610</u></u>	<u><u>350,406</u></u>	<u><u>276,648</u></u>

*Notes:*

- (i) At 31 December 2019, 2020 and 2021 and 30 September 2022, the amounts of approximately nil, HK\$16,484,000, HK\$264,126,000 and HK\$252,960,000, respectively, represent the prepayment and deposits of construction made to certain contractors for property development, which are expected to be recovered in more than one year.
- (ii) At 31 December 2019, 2020 and 2021 and 30 September 2022, the amounts of approximately HK\$45,974,000, HK\$73,736,000, HK\$38,077,000 and HK\$16,040,000, respectively, are expected to be recovered in more than one year.

The Target Company generally allows an average credit period of 2 days for sales of properties during the Relevant Periods.

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Included in trade receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as of the end of each reporting period.

	At 31 December			At 30
				September
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	–	–	–	150
31 to 60 days	–	–	–	248
61 to 90 days	–	266	–	2,326
91 to 120 days	–	–	300	–
Over 120 days	–	–	–	1,819
	<u>–</u>	<u>266</u>	<u>300</u>	<u>4,543</u>

The carrying amounts of the Target Company's trade receivables are denominated in RMB.

Further details on the Target Company's credit policy and credit risk arising from trade and other receivables are set out in Note 4 to the Historical Financial Information.

### 20. AMOUNTS DUE FROM (TO) THE INTERMEDIATE HOLDING COMPANIES/ AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

	At 31 December		At 30 September		Greatest outstanding amount during year/nine months ended			
					31 December		30 September	
	2019	2020	2021	2022	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due from the intermediate holding companies</b>								
深圳寶新實業集團有限公司 (Shenzhen Baoxin Logistics Company Limited*) ("Shenzhen Baoxin Logistic") (Note (i))	–	–	–	269,943	–	–	–	278,712
<b>寶新控股有限公司</b> (Baoxin Holdings Company Limited*) ("Baoxin Holdings") (Note (i))	<u>–</u>	<u>–</u>	<u>–</u>	<u>96,815</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>96,815</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>366,758</u>				

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	At 31 December		At 30 September		Greatest outstanding amount during year/nine months ended			
	2019	2020	2021	2022	31 December 2019	31 December 2020	31 December 2021	30 September 2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts due from fellow subsidiaries</b>								
潮商集團(汕頭)投資有限公司 (Chaoshang Group (Shantou) Investment Company Limited*) ("Chaoshang Group (Shantou)")								
— interest-free (Note (i))	1,469	3,110	4,851	1,127	1,469	3,110	4,851	4,851
— interest-bearing (Note (ii))	-	-	-	7,347	-	-	-	8,370
	<u>1,469</u>	<u>3,110</u>	<u>4,851</u>	<u>8,474</u>				
汕頭市潮商城鎮綜合治理有限公司 (Shantou Chaoshang Chengzhen Comprehensive Management Company Limited*) ("Shantou Chaoshang")								
— interest-free (Note (i))	2,204	4,665	7,277	1,692	2,204	4,665	7,277	7,277
— interest-bearing (Note (ii))	-	-	-	11,390	-	-	-	12,000
	<u>2,204</u>	<u>4,665</u>	<u>7,277</u>	<u>13,082</u>				
深圳寶匯安實業有限公司 (Shenzhen Baohui Industrial Company Limited*) (Note (i))								
	-	-	-	86,564	-	-	-	87,024
	<u>3,673</u>	<u>7,775</u>	<u>12,128</u>	<u>108,120</u>				
<b>Amount due to the immediate holding company</b>								
Shenzhen Hong Jia (Note (i))	<u>(94,605)</u>	<u>(100,130)</u>	<u>(104,125)</u>	<u>(1,139)</u>				
<b>Amount due to an intermediate holding company</b>								
Baoxin Holdings (Note (i))	<u>-</u>	<u>(35,340)</u>	<u>(36,750)</u>	<u>-</u>				
<b>Amount due to a fellow subsidiary</b>								
深圳吉通實業有限公司 (Shenzhen Jitong Industrial Company Limited*) (Note (i))								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75)</u>				

**Notes:**

- (i) The outstanding amounts are unsecured, interest-free and repayable on demand.
- (ii) The outstanding amounts are unsecured with an interest rate of 18% per annum and repayable within six months after the drawdown date.

\* English translation for identification purpose only.

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**21. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH**

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company's restricted bank deposits represented guarantee deposits of approximately HK\$40,541,000, HK\$21,293,000, HK\$15,640,000 and HK\$9,828,000, respectively, for deposits in respect of pre-sales of properties.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company's restricted bank deposits of approximately HK\$40,541,000, HK\$21,293,000, HK\$15,640,000 and HK\$6,763,000, respectively, and bank and cash balances of approximately HK\$5,206,000, HK\$42,353,000, HK\$22,321,000 and HK\$17,787,000, respectively, were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

**22. TRADE AND OTHER PAYABLES**

	At 31 December			At 30 September
	2019	2020	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Trade payables</b>				
Unbilled	669,383	666,985	923,291	833,440
Billed	<u>28,150</u>	<u>47,093</u>	<u>49,347</u>	<u>60,780</u>
	<u>697,533</u>	<u>714,078</u>	<u>972,638</u>	<u>894,220</u>
<b>Other payables</b>				
Accruals and other payables (Note)	7,933	5,789	4,240	93,691
Rental deposits	–	36	1,076	1,160
Interest payables to third parties	42,472	10,348	10,132	8,488
Interest payables to an intermediate holding company	<u>29,532</u>	<u>119,616</u>	<u>279,554</u>	<u>–</u>
	<u>79,937</u>	<u>135,789</u>	<u>295,002</u>	<u>103,339</u>
	<u><u>777,470</u></u>	<u><u>849,867</u></u>	<u><u>1,267,640</u></u>	<u><u>997,559</u></u>

Note: At 30 September 2022, the amount of approximately RMB80,000,000 (equivalent to approximately HK\$91,120,000) included in the accruals and other payables represented the amount due to a creditor of Baoxin Holdings, which is unsecured, interest-free and repayable within one year, as disclosed in Note 29 (a) (viii) to the financial statements.

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The trade payables are interest-free and the Target Company is normally granted with credit term up to 30 days during the Relevant Periods.

Included in trade payables are trade creditors with the following aging analysis for billed trade payables, based on invoice dates, as of the end of each reporting period:

	At 31 December			At 30
	2019	2020	2021	September
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Within 30 days	21,093	40,639	7,630	1,279
31 to 60 days	–	6	711	–
61 to 90 days	8	–	–	–
91 to 120 days	–	–	2,687	5,541
Over 120 days	<u>7,049</u>	<u>6,448</u>	<u>38,319</u>	<u>53,960</u>
	<u>28,150</u>	<u>47,093</u>	<u>49,347</u>	<u>60,780</u>

### 23. CONTRACT LIABILITIES

Contract liabilities represent sales proceeds received from purchasers in connection with the pre-sales of properties.

The movements (excluding those arising from increases and decreases both occurred within the same year/period) of contract liabilities from contracts with customers within HKFRS 15 during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	
	HK\$'000	HK\$'000	HK\$'000	2021 HK\$'000	2022 HK\$'000
				(unaudited)	
At the beginning of the reporting period	–	90,616	308,713	308,713	576,193
Recognised as revenue	–	–	–	–	(178,329)
Receipt of advances	91,264	194,501	232,725	157,275	176,011
Interest on financing component of contract liabilities	1,306	8,007	18,064	14,180	13,881
Exchange differences	<u>(1,954)</u>	<u>15,589</u>	<u>16,691</u>	<u>6,949</u>	<u>(41,001)</u>
At the end of the reporting period	<u>90,616</u>	<u>308,713</u>	<u>576,193</u>	<u>487,117</u>	<u>546,755</u>

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The amount of transaction price allocated to the performance obligations that are unsatisfied at the end of each reporting period is as follows:

	At 31 December			At 30
				September
	2019	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expected timing of revenue recognition:				
Within one year	–	153,576	275,504	300,827
More than one year	<u>168,558</u>	<u>296,137</u>	<u>413,168</u>	<u>463,717</u>
	<u>168,558</u>	<u>449,713</u>	<u>688,672</u>	<u>764,544</u>

At 31 December 2019, 2020 and 2021 and 30 September 2022, the contract liabilities that are expected to be settled after more than 12 months are approximately HK\$89,338,000, HK\$298,946,000, HK\$364,970,000 and HK\$398,931,000.

Significant changes in the contract liabilities balances during the Relevant Periods were mainly due to the Target Company commenced its pre-sales of properties since the year ended 31 December 2019.

### 24. INTEREST-BEARING BORROWINGS

	2019		At 31 December		2021		At 30 September	
	2020	2022						
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	<i>HK\$'000</i>							
Other borrowings (Notes (i and ii))	11,130	11,130	–	11,780	–	–	–	–
Loans from an intermediate holding company (Note (iii))	<u>–</u>	<u>482,730</u>	<u>–</u>	<u>932,903</u>	<u>463,932</u>	<u>892,411</u>	<u>–</u>	<u>–</u>
	<u>11,130</u>	<u>493,860</u>	<u>–</u>	<u>944,683</u>	<u>463,932</u>	<u>892,411</u>	<u>–</u>	<u>–</u>

## Notes:

- (i) At 31 December 2019, the other borrowings of approximately HK\$11,130,000, which was classified as current liabilities, bore a fixed interest rate of 16% per annum and was matured on 25 January 2020 while approximately HK\$11,130,000, which was classified as non-current liabilities, bore a fixed interest rate of 24% per annum and was matured on 9 October 2021.
- (ii) At 31 December 2020, the other borrowings of approximately HK\$11,780,000, which was classified as non-current liabilities, bore a fixed interest rate of 6.5% per annum and would be matured on 14 June 2023.
- (iii) At 31 December 2019, 2020 and 2021 and 30 September 2022, loans from an intermediate holding company of approximately HK\$482,730,000, HK\$932,903,000, HK\$1,356,343,000 and nil, respectively, bear a fixed interest rate at 12% per annum and are repayable after three years from the drawdown date.

At 31 December 2019, 2020 and 2021 and 30 September 2022, all interest-bearing borrowings are unsecured and denominated in RMB.

	At 31 December			At 30
	2019	2020	2021	September
	HK\$'000	HK\$'000	HK\$'000	2022 HK\$'000
Within one year	11,130	–	463,932	–
More than one year, but not exceeding two years	11,130	499,143	463,317	–
More than two years, but not exceeding five years	<u>482,730</u>	<u>445,540</u>	<u>429,094</u>	<u>–</u>
	<u>504,990</u>	<u>944,683</u>	<u>1,356,343</u>	<u>–</u>

The interest-bearing borrowings are arranged at fixed interest rates during the Relevant Periods. The range of effective interest rates:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September	
				2021	2022
Other borrowings	16%–24%	6.5%	6.5%	6.5%	Nil
Loans from an intermediate holding company	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>12%</u>	<u>Nil</u>

## 25. DEFERRED TAXATION

The movements in the Target Company's deferred tax liabilities arising from the fair value changes on investment properties for the Relevant Periods were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	111,847	109,747	152,233	152,233	172,931
Charged (Credited) to profit or loss (Note 10)	463	34,331	14,373	5,377	(7,951)
Exchange differences	(2,563)	8,155	6,325	3,243	(11,764)
At the end of the reporting period	<u>109,747</u>	<u>152,233</u>	<u>172,931</u>	<u>160,853</u>	<u>153,216</u>

At 31 December 2019, 2020, 2021 and 30 September 2022, the Target Company had unused tax losses of approximately HK\$16,148,000, HK\$18,443,000, HK\$22,797,000 and HK\$14,516,000, respectively which were available for offset against future profits and are subject to expiry period of five years. No deferred tax assets have been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

## 26. SHARE CAPITAL

	Year ended 31 December						Nine months ended 30 September					
	2019		2020		2021		2022					
	No. of shares	Equivalent to RMB'000 HK\$'000	No. of shares	Equivalent to RMB'000 HK\$'000	No. of shares	Equivalent to RMB'000 HK\$'000	No. of shares	Equivalent to RMB'000 HK\$'000	Equivalent to RMB'000 HK\$'000			
Registered:												
At the beginning of the reporting period	5,000,000,000	5,000,000	2,000,000,000	2,000,000	2,326,380	2,000,000,000	2,000,000	2,326,380	2,000,000,000	2,000,000	2,326,380	
(Decrease)/increase in registered share capital (Notes (i) and (ii))	(3,000,000,000)	(3,000,000)	(3,396,870)	-	-	-	-	-	310,000,000	310,000	381,018	
At the end of the reporting period	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>2,326,380</u>	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>2,326,380</u>	<u>2,000,000,000</u>	<u>2,000,000</u>	<u>2,310,000,000</u>	<u>2,310,000</u>	<u>2,707,398</u>	
Registered and fully paid												
At the beginning of the reporting period	1,080,000,000	1,080,000	1,230,120	1,080,000,000	1,080,000	1,230,120	1,080,000,000	1,080,000	1,230,120	1,080,000,000	1,080,000	1,230,120
Capital Injection (Note (iii))	-	-	-	-	-	-	-	-	1,138,937,270	1,138,937	1,410,518	
At the end of the reporting period	<u>1,080,000,000</u>	<u>1,080,000</u>	<u>1,230,120</u>	<u>1,080,000,000</u>	<u>1,080,000</u>	<u>1,230,120</u>	<u>1,080,000,000</u>	<u>1,080,000</u>	<u>2,218,937,270</u>	<u>2,218,937</u>	<u>2,640,638</u>	

*Notes:*

- (i) Pursuant to a resolution passed by Shenzhen Hong Jia in June 2019, the registered capital of the Target Company has been reduced from RMB5,000,000,000 to RMB2,000,000,000.
- (ii) In March 2022, the registered capital of the Target Company was increased to RMB2,310,000,000 following the resolution passed by Shenzhen Hong Jia.
- (iii) Pursuant to the deed of debt for equity swap entered between the Target Company and Shenzhen Hong Jia in March 2022, the amount due to Shenzhen Hong Jia of approximately RMB1,138,937,000 (equivalent to approximately HK\$1,410,518,000) would be settled by means of capital injection in the Target Company by Shenzhen Hong Jia on a dollar-for-dollar basis.

**27. RESERVES****27(a) Capital reserve**

The capital reserve represents the contribution from Shenzhen Baoxin Logistic for the modification of terms of loans from an intermediate holding company of approximately RMB314,589,000 (equivalent to approximately HK\$389,604,000) during the nine months ended 30 September 2022.

**27(b) Statutory reserve**

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Target Company is required to maintain certain statutory reserves. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

**27(c) Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the net assets of foreign operations into presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 3 to the Historical Financial Information.

**28. RELATED PARTY TRANSACTIONS****(a) Related party transactions**

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Company had the following transactions with related parties:

Name of related party	Nature of transaction	Year ended 31 December			Nine months ended 30 September	
		2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Chaoshang Group (Santou), a fellow subsidiary	Management fee income	1,411	1,391	1,494	1,117	1,113
Shantou Chaoshang, a fellow subsidiary	Management fee income	2,116	2,086	2,241	1,675	1,669
Shenzhen Baoxin Logistic, an intermediate holding company	Loan interest expenses	<u>30,169</u>	<u>84,084</u>	<u>152,506</u>	<u>113,033</u>	<u>-</u>

During the Relevant Periods, the Target Company also occupied a property owned by a follow subsidiary as office premise at nil consideration.

**(b) Remuneration for key management personnel of the Target Company**

Key management personnel comprises the directors and other members of the Target Company. The remuneration of directors and other members of the Target Company during the Relevant Periods were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2021 HK\$'000 (unaudited)	2022 HK\$'000
Salaries, allowances, discretionary bonus and other benefits in kind	1,227	634	558	416	413
Contributions to defined contribution plans	<u>67</u>	<u>77</u>	<u>100</u>	<u>73</u>	<u>84</u>
	<u>1,294</u>	<u>711</u>	<u>658</u>	<u>489</u>	<u>497</u>

**29. ADDITIONAL INFORMATION ON CASH FLOWS****(a) Major non-cash transactions**

- (i) During the year ended 31 December 2020, the interest payables of approximately RMB30,000,000 (equivalent to approximately HK\$33,630,000) has been settled by Baoxin Holdings on behalf of the Target Company.
- (ii) During the nine months ended 30 September 2022, the Target Company, Shenzhen Hong Jia and Chaoshang Group (Shantou) entered into the deed of transfer, pursuant to which, the amount due from Chaoshang Group (Shantou) of approximately RMB3,960,000 (equivalent to approximately HK\$4,902,000) would be transferred to Shenzhen Hong Jia.
- (iii) During the nine months ended 30 September 2022, the Target Company, Shenzhen Hong Jia and Shantou Chaoshang entered into the deed of transfer, pursuant to which, the amount due from Shantou Chaoshang of approximately RMB5,940,000 (equivalent to approximately HK\$7,354,000) would be transferred to Shenzhen Hong Jia.
- (iv) During the nine months ended 30 September 2022, the Target Company, Shenzhen Hong Jia and Baoxin Holdings entered into the deed of transfer, pursuant to which, the amount due to Baoxin Holdings of approximately RMB30,000,000 (equivalent to approximately HK\$37,140,000) would be transferred to Shenzhen Hong Jia.
- (v) During the nine months ended 30 September 2022, the Target Company, Shenzhen Baoxin Logistic and Shenzhen Hong Jia has entered the deed of transfer, pursuant to which, the loans to an intermediate holding company of approximately RMB1,020,837,000 (equivalent to approximately HK\$1,280,357,000) would be transferred from Shenzhen Baoxin Logistic to Shenzhen Hong Jia.
- (vi) During the nine months ended 30 September 2022, the Target Company and Shenzhen Hong Jia entered into the deed of debt for equity swap, pursuant to which, the amount due to Shenzhen Hong Jia of approximately RMB1,138,937,000 (equivalent to approximately HK\$1,410,518,000) would be settled by means of capital injection in the Target Company on a dollar-for-dollar basis.
- (vii) During the nine months ended 30 September 2022, the Target Company and Shenzhen Baoxin Logistic has entered a supplementary agreement regarding to the loans from an intermediate holding company pursuant to which, the annual interest rate of 12% of loans from an intermediate holding company has been adjusted to 0%. In this regards, a gain on modification of terms of loans from an intermediate holding company of approximately RMB314,589,000 (equivalent to approximately HK\$389,604,000) has been deemed as capital contribution to the Target Company on a dollar-for-dollar basis.

(viii) During the nine months ended 30 September 2022, the Target Company, Baoxin Holdings and a creditor of Baoxin Holdings (the “**Creditor**”), which is an independent third party, entered into a deed of debt swap, pursuant to which, the Target Company has taken up the amount due to the Creditor on behalf of Baoxin Holdings of approximately RMB80,000,000 (equivalent to approximately HK\$91,120,000).

**(b) Reconciliation of liabilities arising from financing activities**

The movements during the Relevant Periods in the Target Company’s liabilities arising from financing activities are as follows:

**Year ended 31 December 2019**

	Interest payables to an intermediate holding company	Interest payables to third parties	Amount due to the intermediate holding company	Amount due to an intermediate holding company	Total
	Interest- bearing borrowing HK\$'000	Interest payables to third parties HK\$'000	Amount due to the intermediate holding company HK\$'000	Amount due to an intermediate holding company HK\$'000	Total HK\$'000
At 1 January 2019	231,217	-	19,414	-	250,631
<b>Changes from cash flows:</b>					
Advance from the immediate holding company	-	-	96,645	-	96,645
Proceeds from interest-bearing borrowings	700,074	-	-	-	700,074
Repayment of interest-bearing borrowings	(415,005)	-	-	-	(415,005)
Interest paid	-	(1,819)	-	-	(1,819)
<b>Non-cash changes</b>					
Finance costs	-	30,169	25,828	-	55,997
Exchange differences	(11,296)	(637)	(951)	(2,040)	(14,924)
At 31 December 2019	<u>504,990</u>	<u>29,532</u>	<u>42,472</u>	<u>94,605</u>	<u>671,599</u>

## Year ended 31 December 2020

	Interest payables to an Interest- bearing borrowing <i>HK\$'000</i>	Interest intermediate holding company <i>HK\$'000</i>	Interest payables to third parties <i>HK\$'000</i>	Amount due to the immediate holding company <i>HK\$'000</i>	Amount due to an intermediate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	504,990	29,532	42,472	94,605	–	671,599
<b>Changes from cash flows:</b>						
Proceeds from interest-bearing borrowings	435,192	–	–	–	–	435,192
Repayment of interest-bearing borrowings	(44,840)	–	–	–	–	(44,840)
Interest paid	–	–	(571)	–	–	(571)
<b>Non-cash changes</b>						
Finance costs	–	84,084	1,271	–	–	85,355
Interest paid by an intermediate holding company on behalf of the Target Company	–	–	(33,630)	–	33,630	–
Exchange differences	49,341	6,000	806	5,525	1,710	63,382
At 31 December 2020	<u>944,683</u>	<u>119,616</u>	<u>10,348</u>	<u>100,130</u>	<u>35,340</u>	<u>1,210,117</u>

## Year ended 31 December 2021

	Interest payables to an Interest- bearing borrowing <i>HK\$'000</i>	Interest payables to an intermediate holding company <i>HK\$'000</i>	Interest payables to third parties <i>HK\$'000</i>	Amount due to the immediate holding company <i>HK\$'000</i>	Amount due to an intermediate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	944,683	119,616	10,348	100,130	35,340	1,210,117
<b>Changes from cash flows:</b>						
Proceeds from interest-bearing borrowings	449,431	-	-	-	-	449,431
Repayment of interest-bearing borrowings	(81,872)	-	-	-	-	(81,872)
Interest paid	-	-	(977)	-	-	(977)
<b>Non-cash changes</b>						
Finance costs	-	152,506	528	-	-	153,034
Exchange differences	44,101	7,432	233	3,995	1,410	57,171
At 31 December 2021	<u>1,356,343</u>	<u>279,554</u>	<u>10,132</u>	<u>104,125</u>	<u>36,750</u>	<u>1,786,904</u>

## Nine months ended 30 September 2021 (unaudited)

	Interest payables to an Interest- bearing borrowing <i>HK\$'000</i>	Interest intermediate holding company <i>HK\$'000</i>	Interest payables to third parties <i>HK\$'000</i>	Amount due to the immediate holding company <i>HK\$'000</i>	Amount due to an intermediate holding company <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021	944,683	119,616	10,348	100,130	35,340	1,210,177
<b>Changes from cash flows:</b>						
Proceeds from interest-bearing borrowings	385,637	-	-	-	-	385,637
Repayment of interest-bearing borrowings	(39,607)	-	-	-	-	(39,607)
<b>Non-cash changes</b>						
Finance costs	-	113,033	308	-	-	113,341
Exchange differences	20,848	2,801	219	2,125	750	26,743
At 30 September 2021	<u>1,311,561</u>	<u>235,450</u>	<u>10,875</u>	<u>102,255</u>	<u>36,090</u>	<u>1,696,231</u>

## Nine months ended 30 September 2022

	Interest payables to an Interest- bearing borrowing HK\$'000	Interest payables to an intermediate holding company HK\$'000	Interest payables to third parties HK\$'000	Amount due to the immediate holding company HK\$'000	Amount due to an intermediate holding company HK\$'000	Total HK\$'000
At 1 January 2022	1,356,343	279,554	10,132	104,125	36,750	1,786,904
<b>Changes from cash flows:</b>						
Interest paid	-	-	(980)	-	-	(980)
<b>Non-cash changes</b>						
Modification of terms of loans from an intermediate holding company	(106,980)	(282,624)	-	-	-	(389,604)
Transfer to amount due to the immediate holding company	(1,280,357)	-	-	1,280,357	-	-
Transfer of current account	-	-	-	24,884	(37,140)	(12,256)
Capital injection	-	-	-	(1,410,518)	-	(1,410,518)
Exchange differences	30,994	3,070	(664)	2,291	390	36,081
At 30 September 2022	<u>-</u>	<u>-</u>	<u>8,488</u>	<u>1,139</u>	<u>-</u>	<u>9,627</u>

**30. LEASE****The Target Company as lessor*****Operating lease***

The Target Company leases certain of its investment properties to independent third parties under operating leases, which had an initial non-cancellable lease terms ranging from one to ten years.

Rental income does not contain any variable lease payments. The risks associated with rights that the Target Company retains to underlying assets are not considered significant, however, the Target Company employs strategies to further minimise these risks by ensuring all lease contracts include clauses requiring the lessees to compensate the Target Company when a leased property has been subject to excess wear-and-tear during the lease terms.

Below is a maturity analysis of undiscounted lease payments to be received from the investment properties subject to operating lease.

	At 31 December			At 30
	2019	2020	2021	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2022</i> <i>HK\$'000</i>
Within one year	–	5,893	13,814	13,166
In the second year	–	5,893	13,628	10,154
In the third year	–	5,522	8,937	4,939
In the fourth year	–	1,195	4,478	4,394
In the fifth year	–	–	3,980	3,815
After five years	–	–	34,261	30,167
	–	18,503	79,098	66,635

**31. FINANCIAL GUARANTEES**

Guarantees in respect of mortgage facilities for certain purchasers of the Target Company's properties:

At 31 December 2019, 2020 and 2021 and 30 September 2022, guarantees amounting to approximately HK\$8,581,000, HK\$8,351,000, HK\$19,359,000 and HK\$44,661,000 are given to banks with respect to mortgaged loans procured by the purchasers of the Target Company's properties. Such guarantees will be released by banks upon the issuance of the real estate ownership certificate to the purchasers or the satisfaction of the mortgaged loans by the purchasers, whichever is earlier. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Target Company will be responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Target Company is entitled to take over the legal title and possession of the related properties. The sole director of the Target Company considers that the likelihood of default in payments by purchasers is minimal.

**32. COMMITMENTS**

	At 31 December			At 30
	2019	2020	2021	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2022</i>
				<i>HK\$'000</i>
Contracted but not provided for:				
Investment properties and properties				
under development	<u>4,225,136</u>	<u>5,065,935</u>	<u>4,220,813</u>	<u>3,843,473</u>

**33. CAPITAL MANAGEMENT**

The objectives of the Target Company's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Target Company's stability and growth. The management consider the total equity as disclosed in the statements of financial position as the Target Company's capital.

The Target Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Target Company. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the Relevant Periods.

**34. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 30 September 2022, save as disclosed elsewhere in the Historical Financial Information, the Target Company has no any significant subsequent events.

**35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Target Company in respect of any period subsequent to 30 September 2022.

*The following is the text of a report received from the reporting accountant, Mazars CPA Limited, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Enlarged Group for the purpose of this Circular.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****MAZARS CPA LIMITED**

中審眾環（香港）會計師事務所有限公司  
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27 February 2023

The Board of Directors  
Glory Sun Financial Group Limited  
Unit 1908, 19/F., Tower 2  
Lippo Centre, No. 89 Queensway  
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Glory Sun Financial Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and related notes as set out on pages III-6 to III-16 of the circular in connection with the proposed acquisition of entire equity interest in Shantou Taisheng Technology Limited\* (汕頭市泰盛科技有限公司)(the “**Target Company**”) (the “**Proposed Acquisition**”) dated 27 February 2023 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page III-6 to III-16 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2022 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Proposed Acquisition had taken place on 30 June 2022 and 1 January 2021, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the six months ended 30 June 2022 and the year ended 31 December 2021, on which an interim report and an annual report have been published. Information about the financial position of the Target Company at 30 September 2022 and the financial performance and cash flows for the year ended 31 December 2021 have been extracted by the Directors from Appendix II to the Circular.

**Directors' responsibility for the unaudited pro forma financial information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Reporting accountant's independence and quality control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 (Clarified) “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 30 June 2022 or 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP****1. INTRODUCTION**

The following is a summary of illustrative unaudited pro forma financial information consisting of the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and the unaudited pro forma consolidated statement of cash flows, in connection with the proposed acquisition of 100% equity interest in Shantou Taisheng Technology Limited\* (汕頭市泰盛科技有限公司)(the “**Target Company**”) by Shenzhen Baokai Investment Holding Company Limited\* (深圳寶開投資控股有限公司), an indirect wholly-owned subsidiary of Glory Sun Financial Group Limited (the “**Company**”) (the “**Proposed Acquisition**”).

The unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited proforma consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “**Group**”), and Target Company immediately after completion of the Proposed Acquisition (together with the Group hereinafter collectively referred to as the “**Enlarged Group**”) have been prepared to illustrate the effect of the Proposed Acquisition on the Group’s financial position as at 30 June 2022 and the Group’s financial performance and cash flows for the year ended 31 December 2021 as if the Proposed Acquisition had taken place on 30 June 2022 and 1 January 2021, respectively.

The unaudited pro forma financial information is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2022 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows for the year ended 31 December 2021 as extracted from the published interim report and annual report of the Company for the six months ended 30 June 2022 and for the year ended 31 December 2021, respectively; and (ii) the audited statement of financial position of the Target Company as at 30 September 2022, the statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Company for the year ended 31 December 2021 as extracted from the accountants’ reports set out in Appendix II to this Circular.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not purport to predict what the financial performance and cash flows or financial position of the Enlarged Group would have been if the Proposed Acquisition had been completed on 1 January 2021, or 30 June 2022 nor in any future period or on any future dates.

The unaudited pro forma financial information should be read in conjunction with the published interim report of the Group for the six months ended 30 June 2022 and the published annual report of the Group for the year ended 31 December 2021 and the historical financial information of the Target Company as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

**2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION OF THE ENLARGED GROUP AT 30 JUNE 2022**

	The Group as at 30 June 2022 (Unaudited) HK\$'000 Note 1	The Target Company as at 30 September 2022 (Audited) HK\$'000 Note 2	Pro forma adjustments		The Enlarged Group HK\$'000
			HK\$'000 Note 3	HK\$'000 Note 4	
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	454,808	10,482	-	-	465,290
Investment properties	3,351,530	2,061,590	-	-	5,413,120
Intangible assets	162,541	-	-	-	162,541
Investments in associates	277,419	-	-	-	277,419
Financial assets at fair value through other comprehensive income	107,205	-	-	-	107,205
Finance lease receivables	6,446	-	-	-	6,446
Prepayments, deposits and other receivables	4,007	-	-	-	4,007
Deferred tax assets	22,140	-	-	-	22,140
	<u>4,386,096</u>	<u>2,072,072</u>	<u>-</u>	<u>-</u>	<u>6,458,168</u>
<b>Current assets</b>					
Inventories	51,222	-	-	-	51,222
Amount due from an intermediate holding company	-	366,758	(366,758)	-	-
Amounts due from fellow subsidiaries	-	108,120	(108,120)	-	-
Properties under development	300,501	1,318,968	-	-	1,619,469
Completed properties held for sale	395,863	759,216	-	-	1,155,079
Loans and advances	2,217,998	-	(1,244,594)	-	973,404
Trade receivables	154,979	4,543	-	-	159,522
Prepayments, deposits and other receivables	162,402	272,105	-	-	434,507
Contract assets	22,688	-	-	-	22,688
Finance lease receivables	25,864	-	-	-	25,864
Prepayment for land appreciation tax	-	39,415	-	-	39,415
Current tax recoverable	3,494	-	-	-	3,494
Financial assets at fair value through profit or loss	154,244	-	-	-	154,244
Client trust bank balances	227,976	-	-	-	227,976
Pledged bank deposits and restricted deposits	27,927	9,828	-	-	37,755
Cash and cash equivalents	538,234	17,787	(554,569)	(1,452)	-
	<u>4,283,392</u>	<u>2,896,740</u>	<u>(2,274,041)</u>	<u>(1,452)</u>	<u>4,904,639</u>
<b>Total assets</b>	<u>8,669,488</u>	<u>4,968,812</u>	<u>(2,274,041)</u>	<u>(1,452)</u>	<u>11,362,807</u>

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 June 2022 (Unaudited) HK\$'000 Note 1	The Target Company as at 30 September 2022 (Audited) HK\$'000 Note 2	Pro forma adjustments		The Enlarged Group HK\$'000
			HK\$'000 Note 3	HK\$'000 Note 4	
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and bills payables	749,298	894,220	-	-	1,643,518
Accruals and other payables	356,152	103,339	-	-	459,491
Contract liabilities	41,587	546,755	-	-	588,342
Amount due to a fellow subsidiary	-	75	(75)	-	-
Amount due to the immediate holding company	-	1,139	(1,139)	-	-
Borrowings	1,607,777	-	-	-	1,607,777
Consideration payables	19,000	-	437,852	-	456,852
Lease liabilities	11,459	-	-	-	11,459
Current tax liabilities	70,090	-	-	-	70,090
	<u>2,855,363</u>	<u>1,545,528</u>	<u>436,638</u>	<u>-</u>	<u>4,837,529</u>
<b>Net current assets</b>	<u>1,428,029</u>	<u>1,351,212</u>	<u>(2,710,679)</u>	<u>(1,452)</u>	<u>67,110</u>
<b>Total assets less current liabilities</b>	<u>5,814,125</u>	<u>3,423,284</u>	<u>(2,710,679)</u>	<u>(1,452)</u>	<u>6,525,278</u>
<b>Non-current liabilities</b>					
Other payables	14,155	-	-	-	14,155
Lease liabilities	36,306	-	-	-	36,306
Deferred tax liabilities	174,138	153,216	-	-	327,354
	<u>224,599</u>	<u>153,216</u>	<u>-</u>	<u>-</u>	<u>377,815</u>
<b>Total liabilities</b>	<u>3,079,962</u>	<u>1,698,744</u>	<u>436,638</u>	<u>-</u>	<u>5,215,344</u>
<b>NET ASSETS</b>	<u>5,589,526</u>	<u>3,270,068</u>	<u>(2,710,679)</u>	<u>(1,452)</u>	<u>6,147,463</u>
<b>EQUITY</b>					
Share capital	3,138,751	2,640,638	(2,640,638)	-	3,138,751
Reserves	2,154,557	629,430	(70,041)	(1,452)	2,712,494
Equity attributable to owners of the Company	5,293,308	3,270,068	(2,710,679)	(1,452)	5,851,245
Non-controlling interests	296,218	-	-	-	296,218
<b>TOTAL EQUITY</b>	<u>5,589,526</u>	<u>3,270,068</u>	<u>(2,710,679)</u>	<u>(1,452)</u>	<u>6,147,463</u>

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR  
THE YEAR ENDED 31 DECEMBER 2021

	The Group for the year ended 31 December 2021 (Audited) <i>HK\$'000</i> <i>Note 1</i>	The Target Company for the year ended 31 December 2021 (Audited) <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 4</i>	The Enlarged Group <i>HK\$'000</i>
<b>Continuing operations</b>				
Revenue	2,614,841	10,002		2,624,843
Cost of sales	<u>(2,182,056)</u>	<u>(381)</u>		<u>(2,182,437)</u>
<b>Gross profit</b>	432,785	9,621		442,406
Other gains – net	254,459	–		254,459
Other income	51,652	5,172		56,824
Fair value gain (loss) on investment properties	144,171	57,493		201,664
Impairment losses on financial assets and contract assets – net	(393,097)	(27)		(393,124)
Distribution costs	(139,904)	(12,907)		(152,811)
Administrative expenses	<u>(284,095)</u>	<u>(10,368)</u>	(1,452)	<u>(295,915)</u>
<b>Profit (Loss) from operations</b>	65,971	48,984	(1,452)	113,503
Finance costs – net	(66,120)	(18,064)		(84,184)
Share of results of associates	<u>(12,345)</u>	<u>–</u>		<u>(12,345)</u>
<b>(Loss) Profit before income tax from continuing operations</b>	(12,494)	30,920	(1,452)	16,974
Income tax expense	<u>(103,957)</u>	<u>(14,373)</u>		<u>(118,330)</u>
<b>(Loss) Profit for the year from continuing operations</b>	(116,451)	16,547	(1,452)	(101,356)
<b>Discontinued operations</b>				
Profit (Loss) for the year from discontinued operations	<u>47,689</u>	<u>–</u>		<u>47,689</u>
<b>(Loss) Profit for the year</b>	<u>(68,762)</u>	<u>16,547</u>	(1,452)	<u>(53,667)</u>
<b>(Loss) Profit attributable to:</b>				
Owners of the Company				
– Continuing operations	(214,591)	16,547	(1,452)	(199,496)
– Discontinued operations	<u>25,634</u>	<u>–</u>		<u>25,634</u>
	<u>(188,957)</u>	<u>16,547</u>	(1,452)	<u>(173,862)</u>
Non-controlling interest				
– Continuing operations	98,140	–		98,140
– Discontinued operations	<u>22,055</u>	<u>–</u>		<u>22,055</u>
	<u>120,195</u>	<u>–</u>		<u>120,195</u>
	<u>(68,762)</u>	<u>16,547</u>	(1,452)	<u>(53,667)</u>

**APPENDIX III**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 December 2021 (Audited) <i>HK\$'000</i> <i>Note 1</i>	The Target Company for the year ended 31 December 2021 (Audited) <i>HK\$'000</i> <i>Note 2</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 4</i>	The Enlarged Group <i>HK\$'000</i>
<b>Loss for the year</b>	<u>(68,762)</u>	<u>16,547</u>	(1,452)	<u>(53,667)</u>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences	358,307	67,705		426,012
Release of exchange reserve upon disposal of subsidiaries	3,564	–		3,564
Release of exchange reserve upon distribution in specie	(64,977)	–		(64,977)
Share of other comprehensive income of associates	(9,684)	–		(9,684)
<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	<u>(96,486)</u>	<u>–</u>		<u>(96,486)</u>
<b>Other comprehensive income for the year</b>	<u>190,724</u>	<u>67,705</u>		<u>258,429</u>
<b>Total comprehensive income for the year</b>	<u>121,962</u>	<u>84,252</u>	(1,452)	<u>204,762</u>
<b>Total comprehensive income for the year attributable to:</b>				
– Owners of the Company	(132,784)	84,252	(1,452)	(49,984)
– Non-controlling interests	<u>254,746</u>	<u>–</u>		<u>254,746</u>
	<u>121,962</u>	<u>84,252</u>	(1,452)	<u>204,762</u>

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF  
THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group for the year ended 31 December 2021 (Audited) HK\$'000 Note 1	The Target Company for the year ended 31 December 2021 (Audited) HK\$'000 Note 2	Pro forma adjustments		The Enlarged Group HK\$'000
			HK\$'000 Note 4	HK\$'000 Note 5	
<b>Cash flows from operating activities</b>					
Cash generated from (used in) operations	1,922,650	30,751	(1,452)		1,951,949
Interest income received	–	530			530
Hong Kong Profits Tax paid	(38,037)	–			(38,037)
PRC enterprise income tax paid	(171,451)	–			(171,451)
Land appreciation tax paid	–	(13,163)			(13,163)
	<u>1,713,162</u>	<u>18,118</u>	(1,452)		<u>1,729,828</u>
<b>Net cash generated from (used in) operating activities</b>					
<b>Cash flows from investing activities</b>					
Additions of property, plant and equipment	(35,932)	(9,432)			(45,364)
Payment for construction costs of investment properties	(442,743)	(396,617)			(839,360)
Additions of intangible assets	(128)	–			(128)
Purchase of financial assets at fair value through other comprehensive income	(78,785)	–			(78,785)
Disposal of subsidiaries, net of cash disposed	178,023	–			178,023
Proceeds received from disposal of property, plant and equipment	105	–			105
Proceeds received from disposal of financial assets at fair value through other comprehensive income	177,910	–			177,910
Proceeds from disposal of investment properties	415,604	–			415,604
Interest received	47,374	–			47,374
Dividend received from other investments	5,139	–			5,139
Decrease in pledged bank deposits and restricted deposits	134,910	–			134,910
Payment for acquisition of a subsidiary	–	–		(750,945)	(750,945)
	<u>401,477</u>	<u>(406,049)</u>	(750,945)		<u>(755,517)</u>
<b>Net cash generated from investing activities</b>					

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 December 2021 (Audited) HK\$'000 Note 1	The Target Company for the year ended 31 December 2021 (Audited) HK\$'000 Note 2	Pro forma adjustments		The Enlarged Group HK\$'000
			HK\$'000 Note 4	HK\$'000 Note 5	
<b>Cash flows from financing activities</b>					
Repayment to non-controlling interests	(230)	–			(230)
(Repayment to) advance from related parties	(97,062)	–			(97,062)
Drawdown of bank borrowings and other loans	9,242,659	449,431			9,692,090
Repayments of bank borrowings and other loans	(11,397,272)	(81,872)			(11,479,144)
Repayment of principal portion on lease liabilities	(17,182)	–			(17,182)
Repayment of interest portion on lease liabilities	(9,964)	–			(9,964)
Proceeds from issuance of corporate bonds	536,000	–			536,000
Interest paid	(813,889)	(977)			(814,866)
Settlement of corporate bonds	(520,000)	–			(520,000)
Distribution in specie, net of cash disposed of	(259,155)	–			(259,155)
Transactions with non-controlling interests	270,163	–			270,163
<b>Net cash (used in) generated from financing activities</b>	<u>(3,065,932)</u>	<u>366,582</u>			<u>(2,699,350)</u>
<b>Net decrease in cash and cash equivalents</b>	(951,293)	(21,349)	(1,452)	(750,945)	(1,725,039)
<b>Cash and cash equivalents at beginning of year</b>	1,724,662	42,353			1,767,015
<b>Effect of foreign exchange rate changes</b>	<u>(43,293)</u>	<u>1,317</u>			<u>(41,976)</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>730,076</u></u>	<u><u>22,321</u></u>	(1,452)	(750,945)	<u><u>–</u></u>

## 5. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- The amounts are extracted from the unaudited condensed consolidated statement of financial position of Glory Sun Financial Group Limited and its subsidiaries (the “Group”) as at 30 June 2022 included in the published interim report of the Group for the six months ended 30 June 2022 issued on 31 August 2022 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 included in the published annual report of the Group for the year ended 31 December 2021 issued on 31 March 2022.
- The amounts are extracted from the audited statement of financial position of the Target Company as at 30 September 2022 and the audited statement of profit or loss and other comprehensive income and the audited statement of cash flows of the Target Company for the year ended 31 December 2021 included in the accountant’s report of the Target Company as set out in Appendix II to this Circular.
- Upon completion of the Proposed Acquisition, the Target Company will become a subsidiary of the Company, assuming the Proposed Acquisition was completed on 30 June 2022, the Directors of the Company have carried out an illustrative consideration allocation exercise in accordance with the requirements of HKFRS 3 (Revised). The fair value of net identifiable assets of the Target Company as at 30 September 2022 to be accounted for the unaudited pro forma statement of financial position of the Enlarged Group is calculated as follows:

	<i>Notes</i>	<i>HK\$’000</i>
Cash consideration		554,569
Consideration payable	<i>b</i>	437,852
Set off against the GSLG Loan and interest accrued	<i>c</i>	1,244,594
Set off against the Amount due from GSLG Group	<i>d</i>	<u>473,664</u>
<b>Total consideration</b>	<i>a</i>	2,710,679
<b>Add: Estimated acquisition related cost</b>		1,452
<b>Less: Fair value of identifiable net assets acquired at 30 September 2022</b>		
Carrying amounts of net assets of the Target Company and total fair value of identifiable net assets attributable to owners of the Target Company	<i>e</i>	<u>(3,270,068)</u>
<b>Gain on bargain purchase arising from the Proposed Acquisition</b>	<i>f</i>	<u>(557,937)</u>

*Notes:*

- (a) In accordance with the share purchase agreement (“SPA”), the aggregate consideration for the Proposed Acquisition (the “**Consideration**”) is RMB2,305,000,000 (equivalent to approximately HK\$2,710,679,000), which is determined based on the business enterprise value of the Target Company as at 30 June 2022. The Consideration will be settled in two tranches by cash and offset loans amount of approximately RMB537,100,000 (equivalent to approximately HK\$631,630,000) and Hong Kong dollars-denominated loans with principal amount of HK\$523,000,000, together with all interest accrued of approximately RMB76,500,000 (equivalent to HK\$89,964,000) and the Amount due from GSLG Group of approximately RMB402,776,000 (equivalent to HK\$473,664,000).
- (b) The adjustment represents the consideration payable, which is the difference between the Consideration after setting off against the GSLG Loan and interest accrued and the Amount due from GSLG Group and the bank balance and cash at 30 June 2022. The Directors of the Company expect that the consideration payable of approximately RMB372,000,000 (equivalent to HK\$437,852,000) will be funded by the internal resources.
- (c) this amount is extracted from the management account of the Target Company for the six months ended 30 June 2022.
- (d) this amount is extracted from the audited financial statements of the Target Company for the nine months ended 30 September 2022.
- (e) For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors of the Company, the Target Company’s fair values of the assets and liabilities being acquired is subject to changes upon completion of the Proposed Acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion.

Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purposes, the Directors of the Company had assumed that the fair values of identifiable net liabilities of the Target Company with net amount as at 30 September 2022 of HK\$3,270,068,000 approximate to their fair values, which will be reassessed on the completion date of the Proposed Acquisition. The fair values of the assets and liabilities being acquired may subject to change after further assessment by the Directors of the Company at the Completion Date.

- (f) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the net assets of the Target Company as at 30 September 2022 were used to determine the bargain purchase of the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair values of the net assets of the Target Company as at the date of completion will be used to determine the actual amount of gain on bargain purchase arising from the Proposed Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

The Directors of the Company confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of property, plant and equipment under HKAS 36 “Impairment of Assets”. The Directors of the Company consider that there is no impairment provision required for the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group.

The remaining pro forma adjustments to share capital and reserves represent the elimination of the Target Company’s paid-in capital and reserves for consolidation purpose.

4. The adjustment represents the estimated acquisition related costs of approximately HK\$1,452,000 (the “**Transaction Costs**”) assumed to be paid, including audit, legal, valuation and other professional services relating to the Proposed Acquisition, which would be settled by bank balances and cash of the Enlarged Group and are charged to profit or loss. This adjustment is not expected to have a continuing effect on the Enlarged Group.
5. The adjustment represents the net cash outflow of the Proposed Acquisition as follows:

		<i>HK\$'000</i>
Cash and cash equivalents of the Target Company as at 1 January 2021	<i>(i)</i>	63,646
Less: Cash consideration for acquisition of the Target Company	<i>(ii)</i>	<u>(750,945)</u>
 Net cash outflow of the Proposed Acquisition		 <u><u>(687,299)</u></u>

- (i) The figure is extracted from the audited consolidated statement of financial position of the Target Company as at 31 December 2020 as set out in the accountants' report set out in Appendix II to this Circular.
- (ii) The cash consideration of RMB637,000,000 (equivalent to approximately HK\$750,945,000) is determined by the Consideration after setting off the GSLG Loan and the interest accrued amounted to approximately RMB1,006,000,000 (equivalent to approximately HK\$1,184,670,000) and after considering the consideration payable amounted to approximately RMB662,000,000 (equivalent to approximately HK\$779,614,000).
6. Apart from the above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group or the Target Company subsequent to 30 June 2022 for the unaudited pro forma consolidated statement of financial position as at 30 June 2022, and subsequent to 31 December 2021 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 as if the Proposed Acquisition had taken place as at 30 June 2022 and 1 January 2021, respectively.
7. Except those specifically mentioned in the notes above, the above remaining adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group.
8. The conversion of RMB into HK\$ is based on the exchange rate of approximately RMB1.00 = HK\$1.23, RMB1.00 = HK\$1.18 and RMB1.00 = HK\$1.14, respectively as of 31 December 2021, 30 June 2022 and 30 September 2022.

Set out below is the management discussion and analysis of GSFG Group for each of the three years ended 31 December 2019, 2020 and 2021 as extracted from the Company's annual reports for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 as extracted from the 2022 Interim Report. Unless otherwise defined in this circular or the context otherwise requires, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and the 2022 Interim Report of the Company, as the case may be.

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **REVIEW OF RESULTS AND OPERATIONS**

GSFG Group conducted its business activities in the following major business segments, namely (i) financial services; (ii) property investment and development; (iii) automation; (iv) securities investment; (v) trading of commodities; and (vi) others. For the year ended 31 December 2019, GSFG Group recorded a revenue of approximately HK\$10,887.8 million, representing an increase of 634.1% when compared with that of 2018. The profit attributable to owners of the Company amounted to approximately HK\$684.3 million, representing an increase of 2% when compared with that of 2018.

#### **Financial Services**

For the year ended 31 December 2019, the financial services segment netted approximately HK\$175.4 million in revenue (2018: approximately HK\$178.8 million), which was down 1.9% year-on-year and equivalent to 1.6% of GSFG Group's total revenue (2018: 12.1%). The operating profit amounted to approximately HK\$73.5 million (2018: approximately HK\$38.8 million), representing a year-on-year increase of 89.4%.

#### **Property Investment and Development**

GSFG Group was devoted to property investment and development and it operated several property projects in the PRC. For the year ended 31 December 2019, the property investment and development segment contributed a revenue of approximately HK\$5,063.1 million (2018: approximately HK\$706.6 million), accounting for 46.5% of GSFG Group's total revenue (2018: 47.6%). The operating profit reached approximately HK\$1,717.6 million (2018: approximately HK\$468.7 million). The increase in revenue was mainly contributed by sales from the property projects in the PRC, namely Nanning Wuxianghu No. 1 Project, Nanning Wuxiang GFC Project, Shantou Baoneng City Garden as well as Hunan Jinxiang International Star City.

## Major Properties Held by GSFG Group

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

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to GSFG Group
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Residential	7,240	5	Completed	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Commercial	28,590	5	Completed	100%
Baoneng Plaza Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	39,204	5	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Residential	1,257	5	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	22,534	5	Completed	100%
Gangzhou Baoneng Centre Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Office	37,845	3	December 2020	100%
Changchun Baoneng Centre Jiefang Avenue North, Fengshun Street West, Chaoyang District, Changchun	Commercial	183,877	3	December 2022	41.37%
Weinan Baoneng Prosperity Mansion Southeast Point, Crossroads of Shuangwang Avenue (National Highway 310) and Weiqing Road, Linwei District, Weinan	Residential	337,488	3	March 2021	35.25%
Yunfu Baoneng Yuelan Mountain No.1, Zijing Road, Duyang Town, Yunan District, Yunfu	Residential	211,245	1	November 2023	58.74%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex <sup>^</sup>	173,635	2	December 2021	33.37%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Complex <sup>^</sup>	378,573	3	August 2022	58.74%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to GSF Group
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Complex <sup>^</sup>	29,242	2	December 2021	32.11%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Residential	248,342	3	December 2021	32.11%
Hunan Jinxiang International Star City (Phase 1-4) Chaohui Road and Northeast Point of Jiayu Road, Yuhua District, Changsha, Hunan	Residential	34,428	6	Completed	29.96%
Hunan Jinxiang International Star City (Phase 3,4) Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	4,344	6	Completed	29.96%
Changsha Baoneng Hall Intersection of Chaohui Road and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	120,451	3	August 2021	29.96%
Changsha Meilian Plaza Intersection of Chaohui Road and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	57,750	1	September 2023	29.96%
Shenzhen Baoneng City Garden 16A, Block J, Tower 4, Baoneng City Garden, Liuxian Avenue North, Nanshan District, Shenzhen	Residential	87	6	Completed	58.74%
Nanning Wuxianghu No. 1 (Phase 2,3) No.35, Pingle Avenue, Liangqing District, Nanning	Residential	271,816	3	May 2022	58.74%
Nanning Wuxianghu No. 1 (Phase 1-3) No.35, Pingle Avenue, Liangqing District, Nanning	Complex <sup>^</sup>	25,927	3	May 2022	58.74%
Nanning Wuxianghu No. 1 (Phase 4) No.35, Pingle Avenue, Liangqing District, Nanning	Complex <sup>^</sup>	59,629	1	November 2023	58.74%

*Note:*

- 1 Land leveling or preliminary preparation
  - 2 Groundwork
  - 3 Superstructure under way
  - 4 Internal decoration
  - 5 Completed and up for sale
  - 6 In service
- <sup>^</sup> Complex includes offices, stores, apartments, hotel and club

**(B) Property Held for Investment:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to GSFG Group
Baoxin Technology Park No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Office, Industrial, Dormitory	426,878	3	2055	75.50%
Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong	Office	826	6	2059	100%
Kennedy Park at Central, No.4 Kennedy Road, Hong Kong	Residential	137	6	2895	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Shopping Mall	22,727	6	2052	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Hotel	29,670	4	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Shopping Mall	81,386	6	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Hotel	22,422	3	2052	100%
Industrial Complex Project New Material Base, Gonghe Town New Village, Heshan City, Guangdong Province	Office, Industrial, Dormitory	81,604	6	2055	100%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex <sup>^</sup>	44,179	2	2057	33.37%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Commercial (Club)	4,055	6	2057	33.37%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Commercial (Bay Culture Centre)	7,417	6	2057	58.74%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to GSFG Group
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Complex^	292,284	3	2057	58.74%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Complex^	40,840	2	2084	32.11%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Kindergarten	2,497	2	2084	32.11%
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	13,994	6	2053	29.96%
Shenyang Waterfront City No.305/307, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Residential	6,518	6	2082	69.11%
Shenyang Waterfront City No.299/301, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Commercial (Shops)	12,305	6	2052	69.11%
Shenyang Fuyou Building No. 34, Shenxin East Road, Tiexi District, Shenyang, Liaoning	Commercial	37,839	6	2052	58.74%
Hefei Time Original Garden No.82, Baxia Road, Hefei Economic and Technological Development Area	Commercial	1,943	6	2081	69.11%
Hefei Lingxiang Garden No.449, Huangshan Road, Shushan District, Hefei	Commercial (Shops)	6,063	6	2049	69.11%
Shenzhen Ocean Towers 20A, 20H, Tower 5, District A, Phase 3, Ocean Towers, Seaworld, Nanshan District, Shenzhen	Residential	177	6	2074	69.11%
Nanning Wuxianghu No. 1 No.35, Pingle Avenue, Liangqing District, Nanning	Complex^	70,962	1	2054	58.74%
Nanning Wuxiang New District Global Financial Centre (South and North Podium Buildings) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Commercial	142,560	3	2053	58.74%
Nanning Wuxiang New District Global Financial Centre (T2, T4 Office) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex^	126,168	4	2063	58.74%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to GSFG Group
Nanning Wuxiang New District Global Financial Centre (T2, T4 Hotel) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex <sup>^</sup>	48,346	3	2053	58.74%

*Note:*

- 1 Land leveling or preliminary preparation
  - 2 Groundwork
  - 3 Superstructure under way
  - 4 Internal decoration
  - 5 Completed and up for sale
  - 6 In service
- <sup>^</sup> Complex includes offices, stores, apartments, hotel and club

**Automation**

For the year ended 31 December 2019, the revenue of automation segment increased by 11.8% to approximately HK\$634.2 million (2018: approximately HK\$567.1 million) accounting for 5.8% of GSFG Group's total revenue (2018: 38.2%). The operating profit increased by 18.1% to approximately HK\$54.8 million (2018: approximately HK\$46.4 million). The increase in revenue was mainly due to the increase in the demand for Surface Mount Technology ("SMT") equipment from domestic electronics manufacturing plants in the PRC as a result of a large-scale commercial application of 5G technology.

**Securities Investment**

GSFG Group invested in listed shares in Hong Kong, the PRC and foreign countries and adjusted its investment strategy to ensure that it is sufficiently prudent to cope with the uncertainties in the financial market. During the year, GSFG Group recognised a loss of approximately HK\$79.8 million on disposal of financial assets at fair value through profit or loss ("FVTPL") and a decrease of approximately HK\$181.2 million and HK\$315.7 million in the value of financial assets at FVTPL and financial assets at fair value through other comprehensive income ("FVOCI"), respectively. A dividend income of approximately HK\$8.7 million was received from financial assets at FVTPL and financial assets at FVOCI.

As at 31 December 2019, the securities investment portfolio, excluding the investments in associates, of approximately HK\$1,033.7 million (2018: approximately HK\$1,886.4 million), comprised financial assets at FVOCI of approximately HK\$904.8 million (2018: approximately HK\$903.8 million) and financial assets at FVTPL of approximately HK\$128.9 million (2018: approximately HK\$982.6 million). Further details of significant securities investments under different categories are as follows:

Nature of investments	Principal businesses	As at 31 December 2019		As at	For the	Change in fair value HK\$'000
		Percentage to shareholding in such stock %	Percentage to total assets of GSFG Group %	31 December 2018	year ended 31 December 2019	
<b>Financial assets at FVOCI</b>						
<b>A. Listed Securities</b>						
Shenzhen Sunrise New Energy Co., Ltd. (Stock Code: 002256.SZ) (“Shenzhen Sunrise”)	Manufacture of chemical products	5.0%	0.9%	272,124	316,890	(38,570)
Landing International Development Ltd. (Stock Code: 00582.HK) (“Landing International”)	Development and operation of the integrated resorts	4.7%	0.4%	121,689	340,177	(218,488)
Shenzhen Kondarl Group Co., Ltd. (Stock Code: 000048.SZ) (“Shenzhen Kondarl”)	Farming, feed, and agricultural products businesses	1.2%	0.4%	118,132	98,665	22,054
Pujiang International Group Limited (Stock Code: 02060.HK) (“Pujiang International”)	Manufacture, installation and sales of customised prestressed steel materials and cables	3.6%	0.4%	115,992	–	37,486
Bank of Zhengzhou Co., Ltd. – H shares (Stock Code: 06196.HK)	Provision of banking products and services	2.1%	0.3%	90,415	–	(31,741)
Others	N/A	N/A	0.4%	119,774	43,277	(84,512)
<b>B. Unlisted Securities</b>	N/A	N/A	0.2%	<u>66,714</u>	<u>104,848</u>	(38,136)
<b>Total</b>				<u>904,840</u>	<u>903,857</u>	

Nature of investments	Principal businesses	As at 31 December 2019		Fair value amount HK\$'000	As at	For the
		Percentage to shareholding in such stock %	Percentage to total assets of GSFG Group %		31 December 2018	year ended 31 December 2019
				Fair value amount HK\$'000	Fair value amount HK\$'000	Change in fair value HK\$'000
<b>Financial assets at FVTPL</b>						
A. Listed Securities						
Madison Holdings Group Ltd. (Stock Code: 08057.HK) ("Madison")	Sales of alcoholic beverages	3.7%	0.1%	40,072	200,108	(156,472)
Zhenro Properties Group Limited (Stock Code: 06158.HK)	Property development and management	-	-	-	527,841	-
Others		N/A	0.3%	80,729	99,450	(6,996)
B. Funds						
		N/A	0.1%	<u>8,050</u>	<u>155,190</u>	(4,604)
Total				<u>128,851</u>	<u>982,589</u>	

### Financial Assets at FVOCI

#### *Shenzhen Sunrise*

As at 31 December 2019, the fair value of equity shares in Shenzhen Sunrise amounted to approximately HK\$272.1 million. Given the volatility in the stock markets, the price performance of Shenzhen Sunrise was not satisfactory, resulting in a fair value loss of approximately HK\$38.6 million recognised in other comprehensive income for the year.

#### *Landing International*

As at 31 December 2019, the fair value of GSFG Group's equity securities in Landing International amounted to approximately HK\$121.7 million. Given the volatility in the stock markets, resulting in a fair value loss of approximately HK\$218.5 million recognised in other comprehensive income for the year.

#### *Shenzhen Kondarl*

As at 31 December 2019, the fair value of equity shares in Shenzhen Kondarl amounted to approximately HK\$118.1 million. Notwithstanding the volatility in the stock markets, the price performance of Shenzhen Kondarl was satisfactory, resulting in a fair value gain of approximately HK\$22.1 million recognised in other comprehensive income for the year.

***Pujiang International***

GSFG Group acquired shares in Pujiang International through initial public offering during the year. As at 31 December 2019, the fair value of GSFG Group's equity securities in Pujiang International amounted to approximately HK\$116.0 million. Notwithstanding the volatility in the stock market, the share price performance of Pujiang International was satisfactory and resulted in a fair value gain of approximately HK\$37.5 million recognised in other comprehensive income for the year.

**Financial Assets at FVTPL*****Madison***

As at 31 December 2019, the fair value of GSFG Group's equity securities in Madison amounted to approximately HK\$40.1 million. The shares of Madison are listed on GEM of the Stock Exchange. Given the volatility in the stock market, the share price performance of Madison was not satisfactory and resulted in a fair value loss of approximately HK\$156.5 million recognised in profit or loss for the year.

**Other investment**

As at 31 December 2019, the Company held 32% equity interest in Yunnan International Holding Group Limited, a joint venture principally engaged in the business of clean energy, health, investment management, new energy and financial services. Through the cooperation with the shareholders of the joint venture, the Company believed that it can vigorously participate in the strategic construction brought by The Belt and Road Initiative.

**Trading of Commodities**

For the year ended 31 December 2019, the trading of commodities segment contributed a revenue of approximately HK\$5,160.4 million (2018: nil), accounting for 47.4% of GSFG Group's total revenue (2018: 0%).

**Others**

Others consist of revenue derived from operation of a yacht club, provision of education and training services, operation of golf practice court and trading of seafood in the PRC in the amount of approximately HK\$115.5 million for the year ended 31 December 2019. No such income was recognised during the year ended 31 December 2018.

## FINANCIAL REVIEW

## Continuing operations

*Revenue*

GSFG Group's revenue for the year ended 31 December 2019 increased by 634.1% to approximately HK\$10,887.8 million (2018: approximately HK\$1,483.2 million). The revenue analysis by segment is presented as follows:

	2019		2018		% change
	HK\$' million	Proportion to total revenue	HK\$' million	Proportion to total revenue	
Automation	634.2	5.8%	567.1	38.2%	+11.8%
Financial Services	175.4	1.6%	178.8	12.1%	-1.9%
Property Investment and Development	5,063.1	46.5%	706.6	47.6%	+616.5%
Securities Investment	(260.8)	(2.4%)	30.7	2.1%	-949.5%
Trading of Commodities	5,160.4	47.4%	-	-	N/A
Others	115.5	1.1%	-	-	N/A
	<u>10,887.8</u>	<u>100%</u>	<u>1,483.2</u>	<u>100%</u>	<u>+634.1%</u>

During the year, the trading of commodities and property investment and development segments were the major source of revenue for GSFG Group, accounting for 47.4% and 46.5% of total revenue, respectively.

*Gross Profit and Margin*

The gross profit for the year increased by 282.0% to approximately HK\$1,953.7 million (2018: approximately HK\$511.5 million), while the gross profit margin decreased to 17.9% (2018: 34.5%). The change was mainly due to the significant increase in the commodities trading which has relatively low gross profit and margin.

*Other Gains/(Losses) – Net*

The net other gains during the year was approximately HK\$23.9 million (2018: net other losses approximately HK\$37.2 million), which was mainly the net effect of the gain from derecognition of financial guarantee contract of approximately HK\$27.3 million, fair value gain on derivative financial assets of approximately HK\$8.9 million and fair value loss on financial guarantee of approximately HK\$16.0 million.

***Other Income***

The other income decreased by 25.1% to approximately HK\$39.4 million (2018: approximately HK\$52.6 million), as a result of decrease in dividend income of approximately HK\$11.3 million to approximately HK\$8.7 million.

***Distribution Costs***

The distribution costs increased by 146.2% to approximately HK\$74.6 million (2018: approximately HK\$30.3 million), accounting for 0.7% (2018: 2.0%) of the total revenue. The increase in distribution costs was mainly due to the increase in advertising, promotion and exhibition expenses and increase in the cost of salesmen commission.

***Administrative Expenses***

The administrative expenses increased by 161.3% to approximately HK\$655.1 million (2018: approximately HK\$250.7 million), owing to increase in staff salaries by approximately HK\$27.6 million due to the expanded company operations; increase in provision for impairment on intangible assets by approximately HK\$140.1 million, increase in provision for impairment on other receivables, trade receivables and contract assets by approximately HK\$77.0 million and increase in provision for impairment on property, plant and equipment by approximately HK\$54.6 million.

***Finance Costs – Net***

The net finance costs was approximately HK\$192.5 million (2018: approximately HK\$57.0 million). The increase in net finance costs was because of an increase in capital financing expenditure in relation to the increase in the general level of borrowing.

***Income Tax Expense***

The income expense recorded an increase of 343.0% to approximately HK\$595.4 million (2018: approximately HK\$134.4 million) due to the significant increase in taxable income, and the substantial increase in deferred tax expenses derived from revaluation of properties.

***Discontinued operations***

During the year ended 31 December 2019, GSFG Group disposed of its online game service business and manufacturing business in the PRC and recognised loss from discontinued operations of approximately HK\$88.7 million (2018: approximately HK\$38.6 million).

***Profit attributable to owners of the Company***

The profit attributable to owners of the Company increased to approximately HK\$684.3 million (2018: approximately HK\$670.8 million), up approximately 2.0% year-on-year.

**FINANCIAL RESOURCES REVIEW****Liquidity and Financial Resources**

By adopting a prudent financial management approach, GSFG Group continued to maintain a healthy financial position with good cash flow. As at 31 December 2019, GSFG Group had cash and cash equivalents of approximately HK\$1,313.6 million (2018: approximately HK\$907.1 million). GSFG Group's cash and cash equivalents were mainly denominated in Hong Kong dollar, RMB, and US dollar. The working capital represented by net current assets amounted to approximately HK\$4,235.6 million (2018: approximately HK\$1,456.4 million). The current ratio was approximately 1.3 (2018: approximately 1.4). The gearing ratio, which is calculated at borrowings divided by net asset value, was 91.8% (2018: 24.2%).

As at 31 December 2019, the total borrowings of GSFG Group amounted to approximately HK\$9,880.7 million, of which equivalents of approximately HK\$67.6 million, HK\$7.9 million, HK\$2,176.5 million and HK\$7,628.7 million were denominated in US dollar, Japanese Yen, Hong Kong dollar and RMB, respectively.

The borrowings of GSFG Group as at 31 December 2019 included corporate bonds of approximately HK\$1,688.4 million (2018: approximately HK\$177.6 million), trust receipt loans of approximately HK\$36.5 million (2018: approximately HK\$30.1 million) and bank loans of approximately HK\$4,022.2 million (2018: approximately HK\$999.2 million), and other loans of approximately HK\$4,133.6 million (2018: HK\$479.3 million). As at 31 December 2019, GSFG Group's bank and other borrowings balance of approximately HK\$5,822.0 million was charged at fixed interest rate, and approximately HK\$4,058.7 million was charged at floating interest rates.

As at 31 December 2019, the maturity profile of the borrowings was approximately HK\$6,190.1 million (representing approximately 62.6% of the total borrowings) due within one year, approximately HK\$761.2 million (representing approximately 7.7% of the total borrowings) due after one year but not exceeding two years, and approximately HK\$2,929.4 million (representing approximately 29.7% of the total borrowings) due after two years but not exceeding five years.

**Charge of Assets**

The bank and other borrowings were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) personal guarantee of a controlling shareholder; (iii) shares of subsidiaries; (iv) property, plant and equipment of approximately HK\$137.0 million (2018: approximately HK\$255.9 million); (v) investment properties of approximately HK\$4,561.6 million (2018: approximately HK\$1,264.9 million); (vi) properties under development of approximately HK\$5,116.5 million (2018: nil); (vii) completed properties held for sale of approximately HK\$85.9 million (2018: nil); and (viii) pledged bank deposits of approximately HK\$632.9 million (2018: HK\$6 million).

**Funding and treasury policy**

For the year ended 31 December 2019, GSFG Group primarily financed its operations and investing activities with its operating revenue, internal resources and bank and other borrowings. The Board believed that GSFG Group had sufficient resources to satisfy its capital expenditure and working capital requirement. GSFG Group regularly reviewed its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

**Capital Commitments**

As at 31 December 2019, GSFG Group had contracted but not provided for capital commitments of approximately HK\$240.0 million, HK\$160.7 million, HK\$11,140.2 million and HK\$0.5 million (2018: approximately HK\$240.0 million, HK\$1,323.8 million, HK\$277.1 million, and nil) relating to the investment in an associate; investment properties; property development expenditures; and property, plant and equipment, respectively.

**Currency Exposure and Management**

During the year, GSFG Group's receipts were mainly denominated in Hong Kong dollars, RMB and US dollars. GSFG Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of GSFG Group's automation and property investment and development segments were mainly conducted in the mainland China, most of GSFG Group's labour costs and manufacturing overheads were settled with RMB. As such, fluctuation of the RMB exchange rate would have an impact on GSFG Group's profitability. GSFG 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, GSFG Group did not enter into any foreign exchange forward contract or any other financial instruments for hedging purposes.

**Future Plans for Capital Investment and Expected Source of Funding**

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

As at 31 December 2019, GSFG Group did not have any future plans for material investment or capital assets.

**Fund raising for future business development**

When GSFG 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.

**Employees and Remuneration Policies**

As at 31 December 2019, GSFG Group had 1,020 full-time employees mainly in Hong Kong and the PRC (2018: 752). GSFG Group formulated the Training Management System to prepare training budget on an annual basis to guarantee the training needs of employees in terms of business skills and management level improvement. For the year ended 31 December 2019, GSFG Group provided periodic training to its employees in relation to different areas such as anti-money laundering and work safety.

For the year ended 31 December 2019, staff remuneration for the employees of GSFG Group included salary pay, discretionary bonus payment which depended on individual performance and profitability of GSFG Group, contributions to the social security insurance in the PRC and mandatory provident fund scheme in Hong Kong, medical insurance and other competitive fringe benefits. The remuneration policies for the employees of GSFG Group were determined according to the responsibility, competence, skills, experience and performance of the employees as well as market pay level. GSFG Group reviewed remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

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.

**USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN JULY 2019**

In December 2019, the Company issued and allotted 2,400,000,000 new shares of the Company to Bao Xin Development Limited. The net proceeds were approximately HK\$599,400,000 and had been utilised as follows:

	<i>HK\$' million</i>
1. Provision of brokerage service and corporate finance	
2. (i) securities brokerage and margin financing; and	130.0
3. (ii) investment	39.4
4. Expansion of asset management business	80.0
5. Expansion of money lending business	250.0
6. General working capital	<u>100.0</u>
	<u><u>599.4</u></u>

**CONTINGENT LIABILITIES**

As at 31 December 2019, GSFG Group had no material contingent liabilities (2018: nil).

**SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF  
SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE YEAR ENDED 31  
DECEMBER 2019**

During the year ended 31 December 2019, GSFG Group had the following material acquisition and disposal of subsidiaries:

**(I) Step acquisition from an associate to a subsidiary**

On 17 January 2019, GSFG Group entered into a sale and purchase agreement with three shareholders of GSLG for the acquisition of 37.18% equity interest in GSLG.

Further to the Company's announcement on 18 March 2019, the equity interest in GSLG acquired was adjusted to 37.16% (the "**Step Acquisition**"). The consideration was settled on the basis of one new Company's share (the "**Consideration Shares**") for every GSLG's share acquired. GSLG is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. GSLG Group is principally engaged in property development and investment, development of cultural sports, trading of commodities and securities investment.

The Step Acquisition was completed on 23 April 2019 (the “**Step Acquisition Completion Date**”). As at the Step Acquisition Completion Date, GSLG has become a subsidiary of the Company. The results of GSLG Group was consolidated into GSFG Group’s financial statements commencing for the Step Acquisition Completion Date.

GSFG Group remeasured the fair value of the equity interest in GSLG it previously held at the Step Acquisition Completion Date and recognised a loss of approximately HK\$176,869,000 on the remeasurement of GSFG Group’s pre-existing interest in GSLG and has been recognised to the profit or loss and presented as “Loss on remeasurement of pre-existing interest in an associate” in the consolidated statement of comprehensive income. For further details on the acquisition of equity interest in GSLG, please refer to the announcements of the Company dated 21 January 2019, 5 March 2019, 18 March 2019, 15 April 2019, 23 April 2019 and 24 May 2019, the circular of the Company dated 26 March 2019 and the annual report of the Company for the year ended 31 December 2019.

## (II) Acquisition of Karsen International Limited

On 31 May 2019, a non-wholly owned subsidiary of the Company completed the acquisition of entire equity interests in Karsen International Limited (“**Karsen International**”) for a cash consideration of HK\$60,000,000 to Karsen International. Karsen International is principally engaged in investment properties in the PRC. The acquisition aimed to expand the business by the Company. For further details on the acquisition of Karsen International, please refer to the annual report of the Company for the year ended 31 December 2019.

## (III) Acquisition of 100% equity interest in Shenzhen Baoneng Hengchuang Industrial Limited\*

On 19 September 2019, Shenzhen Baoxin Industrial Group Limited\* (深圳寶新實業集團有限公司), an indirect non-wholly owned subsidiary of the Company entered into a sale and purchase agreement with Baoneng Real Estate Company Limited\* (寶能地產股份有限公司) (“**Baoneng Real Estate**”) to acquire the entire equity interest of Shenzhen Baoneng Hengchuang Industrial Limited\* (深圳寶能恒創實業有限公司) (“**Nanning Project Company**”) and its subsidiaries (collectively “**Nanning Project Group**”) for a total consideration of RMB300,000,000 (equivalent to approximately HK\$333,900,000) (the “**Nanning Project Acquisition**”), of which RMB270,018,000 (equivalent to approximately HK\$300,620,000) would be settled in cash and RMB29,982,000 would be offset from the first instalment of the consideration to the other receivables in Nanning Project Group. The Nanning Project Group Acquisition was completed on 24 December 2019. Nanning Project Group is principally engaged in property investment in the PRC. The acquisition aimed to expand the business of the Company. Nanning Project Group is ultimately controlled by Mr. Yao Jianhui and Mr. Yao Zhenhua, the elder brother of Mr. Yao Jianhui (the “**Controlling Parties**”). The Controlling Parties and their associates together held more than 51% equity interests in the Company of which Mr. Yao

Jianhui was the substantial shareholder of the Company and Mr. Yao Zhenhua was beneficially interested in 51% of the equity of a substantial shareholder of the Company, namely Foresea Life Insurance Co., Ltd. GSFG Group and the Nanning Project Group first came under common control as at the Step Acquisition Completion Date upon completion of the Step Acquisition and the Nanning Project Acquisition was considered as businesses combination under common control. For further details on the acquisition of Nanning Project Group, please refer to the announcements of the Company dated 19 September 2019, 24 October 2019, 30 October 2019, 19 December 2019 and 24 December 2019, the circular of the Company dated 29 November 2019 and the annual report of the Company for the year ended 31 December 2019.

#### **(IV) Disposal of Kingworld Holdings Limited**

On 29 June 2019, GSFG Group disposed of its entire equity interest in Kingworld Holdings Limited (“**Kingworld Holdings**”) for a cash consideration of HK\$1. Kingworld Holdings and its subsidiaries were principally engaged in provision of online game services. GSFG Group discontinued the provision of online game services and platform services business upon disposal of Kingworld Holdings. For further details on the disposal of Kingworld Holdings, please refer to the annual report of the Company for the year ended 31 December 2019.

#### **(V) Disposal of Guilin Baoneng Real Estate Development Limited\*, Guangxi Baoneng Real Estate Development Limited\*, and Guilin Baoneng Investment Limited\***

On 14 August 2019, GSFG Group disposed three wholly-owned subsidiaries namely, Guilin Baoneng Real Estate Development Limited\* (桂林寶能房地產開發有限公司), Guangxi Baoneng Real Estate Development Limited\* (廣西寶能房地產開發有限公司), and Guilin Baoneng Investment Limited\* (桂林寶能投資有限公司) with a total consideration of RMB30,000,000 to Baoneng Real Estate, a related company of GSFG Group. For further details on the disposal of Guilin Baoneng Real Estate Development Limited, Guangxi Baoneng Real Estate Development Limited, and Guilin Baoneng Investment Limited, please refer to the annual report of the Company for the year ended 31 December 2019.

#### **(VI) Disposal of Bao Yao International Technology Limited**

On 30 December 2019, GSFG Group entered into a sale and purchase agreement to dispose of its entire equity interest in Bao Yao International Information Technology Limited (“**Bao Yao International**”), an indirect wholly-owned subsidiary of the Company, for a cash consideration of HK\$10,000,000. For further details on the disposal of Bao Yao International, please refer to the annual report of the Company for the year ended 31 December 2019.

**(VII) Disposal of Shenzhen Bao Yao Construction Engineering Co., Limited**

On 15 November 2019, GSFG Group entered into a sale and purchase agreement to dispose of its entire equity interest in Shenzhen Bao Yao Construction Engineering Co., Limited\* (深圳寶耀建設工程有限公司) (“**Bao Yao Construction**”), an indirect non-wholly owned subsidiary of the Company, for a cash consideration of RMB5,500,000 (equivalent to approximately HK\$6,261,000). For further details on the disposal of Bao Yao Construction, please refer to the annual report of the Company for the year ended 31 December 2019.

**(VIII) Disposal of Well Force Holdings Limited**

On 31 December 2019, GSFG Group disposed of its 100% equity interest in Well Force Holdings Limited for a cash consideration of HK\$70,000. For further details on the disposal of Well Force Holdings Limited, please refer to the annual report of the Company for the year ended 31 December 2019.

GSFG Group did not have any significant investment as at 31 December 2019.

**FOR THE YEAR ENDED 31 DECEMBER 2020****REVIEW OF RESULTS AND OPERATIONS**

GSFG Group conducted its business activities in the following major business segments, namely (i) financial services; (ii) property investment and development; (iii) automation; (iv) securities investment; and (v) trading of commodities; (vi) yacht club and training; and (vii) others. For the year ended 31 December 2020, GSFG Group recorded a revenue of approximately HK\$7,826.2 million, representing a decrease of 28.1% when compared with that of 2019. The loss attributable to owners of the Company amounted to approximately HK\$217.3 million, representing a decrease of 131.7% as compared with a profit attributable to owners of the Company of approximately HK\$684.3 million for the year ended 31 December 2019.

**Financial Services**

For the year ended 31 December 2020, the financial services segment netted approximately HK\$246.8 million in revenue (2019: approximately HK\$175.4 million), representing a year-on-year increase of approximately 40.7% and approximately 3.2% of GSFG Group’s total revenue (2019: 1.6%). The operating profit amounted to approximately HK\$145.4 million (2019: approximately HK\$73.5 million), representing a year-on-year increase of 97.8%.

***Securities Brokerage Services***

Hong Kong has been a popular fund-raising market for global business. Despite the influence brought by the Covid-19, the IPO market remained vigorous in the second half of 2020. In the third quarter of 2020, the IPO of bio-pharmaceutical stocks, property management stocks, technology stocks and China concept stocks set off a boom in the Hong Kong stock market. In 2020, Hong Kong was the second largest initial public offerings (“**IPO**”) market globally. Notwithstanding that the number of newly listed companies was 154, a decrease of approximately 15.9% from 183 in 2019, the IPO equity funds raised was approximately HK\$397,528.9 million, an increase of approximately 26.5% from approximately HK\$314,241.1 million in 2019 and the total turnover was approximately HK\$32,110,148 million, an increase of approximately 49.8% from HK\$21,440,049 million in 2019. Benefiting from the increase in the annual turnover, GSF Group recorded a satisfactory increase in revenue from securities brokerage services.

In order to facilitate the development of securities brokerage services, GSF Group consistently advertised through marketing channels and released research and analysis reports. It provided investors with up-to-date financial information via live streaming and a series of social media platforms. With the launch of a new version of eTrading mobile application with more popular functions, 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 GSF Group’s corporate image.

***Corporate Finance Services***

During the year, the corporate finance team continued to provide sponsoring, underwriting and placement services to clients for their fund-raising activities in equity and debt capital market. Provision of financial advisory services and other corporate advisory services were also given to clients for their corporate finance activities including restructuring, mergers and acquisitions.

The corporate finance team faced challenges due to the Covid-19 pandemic. Meetings with clients and performance of due diligence exercises in the PRC were affected by the travel restrictions and compulsory quarantine as imposed by the PRC and Hong Kong Governments. Nevertheless, to cope with these challenges and to fulfil clients’ expectation on services, the corporate finance team conducted meetings with clients via video conferencing. In 2020, GSF Group acted as sponsor, joint bookrunners and joint lead managers for various applications of IPO and offered assistance to the issuance of private and public debts.

***Asset Management Services***

The asset management team offered its asset management and securities advisory services to high-net-worth individuals, corporations, institutional, funds and/or family trusts by the way of fund management or discretionary account management in domestic and international markets. As at 31 December 2020, it had respectively acted as an investment manager for three exempted limited liability Segregated Portfolio Companies incorporated in the Cayman Islands with six segregated portfolios. At the same time, it provided investment management services for one discretionary account. The assets under management (“AUM”) (including private funds and the discretionary account) amounted to approximately HK\$930.0 million.

***Wealth Management Services***

As one of the leading wealth management hubs, Hong Kong 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. In terms of cities with most billionaires, Hong Kong ranks the second.

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. With the expectation that the number of millionaires in the PRC will reach 6.9 million by 2024 and the increasing demand for professional advisory services in the Great Bay Area, further development of Hong Kong wealth management industry is expected.

In 2020, the wealth management team regularly held seminars, enhanced cooperation with other business units within GSFG Group and increased sales channels.

***Money-lending Services***

GSFG Group holds a money lender’s licence and is a member of TransUnion Limited. The loans granted to clients covers long-term secured loans such as share mortgage and property mortgage and short-term unsecured term loans. In 2020, GSFG 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, GSFG Group adjusted the interest rate and loan-to-value ratio on a regular basis to strengthen its risk and capital management. Despite the challenges encountered during the year, GSFG Group’s money lending business recorded a significant increase in the size of the loan portfolio.

***Precious Metal Trading Services***

GSFG 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. In 2020, 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**

For the year ended 31 December 2020, the revenue of the property investment and development segment was approximately HK\$803.4 million (2019: approximately HK\$5,063.1 million), accounting for approximately 10.3% (2019: approximately 46.5%) of GSFG Group's total revenue. The decrease in revenue was mainly due to the decrease in property sales as those property projects made handover to customers in 2020 were relatively smaller than those in 2019. Therefore, the gross profit of 2020 decreased by approximately HK\$1,662.7 million compared to that of 2019.

For the year ended 31 December 2020, the operating loss of the property investment and development segment was approximately HK\$388.0 million, compared to the operating profit of approximately HK\$1,717.6 million recorded in the previous year. The turnaround from the operating profit to operating loss was primarily due to the significant decrease in gross profit and fair value loss on investment properties located in Hong Kong and the PRC of approximately HK\$607.2 million, while partially net off by the gain on disposal of subsidiaries of approximately HK\$519.6 million.

GSFG Group's property investment and development segment is mainly rooted in the Guangdong-Hong Kong-Macao Greater Bay Area. At present, it has implemented a total of 16 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.

In 2020, GSFG Group actively overcame difficulties and responded to market changes, quantified the impact of the pandemic on its normal operation, and modified the current business strategies.

From the perspective of strategic development, GSFG Group, on one hand, continuously stepped up its presence in the Guangdong-Hong Kong-Macao Greater Bay Area and other key cities with great support, strong economic strength and continuous demographic dividend during the “pandemic-related window period”. On the other hand, it looked for opportunities to improve land reserves, paid attention to strategic M&A opportunities, and accelerated the integration of resources in the real estate industry.

The prevention and control systems and measures developed for marketing management included live-streaming showings, an online sales office, an online house buying festival and other marketing solutions. To some extent, these moves were a remedy as potential buyers were reluctant to see houses offline, which had effectively promoted the sales recovery.

GSFG Group performed well in multiple project nodes of property investment and development sectors in 2020.

In May 2020, Block No. 3 of Weinan Project was put up for sale; Block No. 2 and Block No. 5 in August; Block No. 6 in September; and Block No. 1 and Block No. 7 in November 2020. GSFG Group saw the completion rates of its annual targets in subscription, contract signing and payment collection exceed 100%, and recorded the highest sales in Weinan’s property market during the pandemic.

In May 2020, the Shenyang Baoxin Mansion Project won the bidding of a 11,000–square-metre land parcel (Jiuzhong Land Parcel) at a price of RMB599 million. With the commencement of construction in August 2020, the project was planned to consist of two 33–storey high-rise residences and one 3–storey commercial complex. The project was expected to be put up for sale in May 2021, with a saleable area of more than 35,000 square metres.

In May 2020, Block No. 13 and Block No. 21 of the phase 3 of Nanning Premium Residential Project were officially launched for sale. Thanks to the full preparation in the early stage and the advantages of houses of the project, GSFG Group attracted many customers in the early stage and achieved high sales in a short time after listing.

In May 2020, the phase 1 of the Yunfu Yuelan Shan Project was launched for sale for the first time. GSFG Group submitted relevant documents for approval after project completion in December 2020.

In June 2020, the groundbreaking ceremony of the foundation pit supporting project of Baoxin Building was successfully held, marking the official commencement of Baoxin Building construction.

In October 2020, the offline subscription for Block No. 7 of the Shanton Chaoyang Project and parking spaces of the phase 2 started.

**Major Properties Held by GSFG Group****(A) Property Held for Development and/or Sale:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Residential	5,629	Completed and up for sale	Completed	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Commercial	28,494	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	38,314	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Residential	371	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	16,994	Completed and up for sale	Completed	100%
Ganzhou Baoneng Centre Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Office	37,339	Completed and up for sale	Completed	100%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Changchun Baoneng Centre (Office) Jiefang Avenue North, Fengshun Street West, Chaoyang District, Changchun	Complex	183,877	Superstructure under way	December 2022	41.38%
Weinan Baoneng Prosperity Mansion (Phase 1, 2) Southeast Point, Crossroads of Shuangwang Avenue (National Highway 310) and Weiqing Road, Linwei District, Weinan	Residential	337,488	Phase 1: Superstructure under way; Phase 2: Groundwork phase	September 2022	35.26%
Yunfu Baoneng Yuelan Mountain (Phase 1-3) No. 1, Zijing Road, Duyang Town, Yunan District, Yunfu	Residential	211,245	Phase 1: Completed; Phase 2, 3: Not yet commenced	November 2023	58.76%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex	173,635	Groundwork	November 2022	33.38%
Shantou Taisheng Science and Innovation Park (Phase 1, 3) Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Complex	398,197	Phase 1: Internal decoration; Phase 3: Superstructure under way	August 2022	58.76%
Shantou Baoneng City Garden (Phase 1-3), South City Street, Chaoyang District, Shantou	Residential	258,089	Phase 1, 2: Completed and up for sale; Phase 3: Superstructure under way	June 2022	32.12%
Shantou Baoneng City Garden (Phase 3), South City Street, Chaoyang District, Shantou	Complex	21,977	Superstructure under way	June 2022	32.12%
Hunan Jinxiang International Star City (Phase 1-4) Chaohui Road and Northeast Point of Jiayu Road, Yuhua District, Changsha, Hunan	Complex	34,428	Completed and up for sale	Completed	29.97%
Hunan Jinxiang International Star City (Phase 3, 4) Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	4,344	Completed and up for sale	Completed	29.97%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Changsha Baoneng Hall Intersection of Chaohui Road and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	120,451	Superstructure under way	August 2021	29.97%
Changsha Meilian Plaza Intersection of Chaohui Road and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	57,750	Under planning	September 2023	29.97%
Shenyang Baoxin Hall Caita Road, Shenhe District, Shenyang	Complex	76,114	Completed and up for sale	March 2023	58.76%
Shenzhen Baoneng City Garden 16A, Block J, Tower 4, Baoneng City Garden, Liuxian Avenue North, Nanshan District, Shenzhen	Residential	87	Completed and up for sale	Completed	58.76%
Nanning Wuxianghu No. 1 (Phase 2, 3) No.35, Pingle Avenue, Liangqing District, Nanning	Residential	271,816	Phase 2: Completed; Phase 3: Superstructure under way	May 2022	58.76%
Nanning Wuxianghu No. 1 (Phase 1-3) No. 35, Pingle Avenue, Liangqing District, Nanning	Complex	25,927	Phase 1, 2: Completed; Phase 3: Superstructure under way	May 2022	58.76%
Nanning Wuxianghu No. 1 (Phase 4) No. 35, Pingle Avenue, Liangqing District, Nanning	Complex	59,629	Groundwork	November 2023	58.76%

**(B) Property Held for Investment:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Lease expiry	Equity attributable to GSFG Group
Baoxin Technology Park (Phase 1-3) No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Office, Industrial, Dormitory	426,878	Phase 1, 2: In service; Phase 3: Groundwork	Aug 2022	2055	75.50%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Office	880	In service	Completed	2059	100%
Kennedy Park at Central, No.4 Kennedy Road, Hong Kong	Residential	137	In service	Completed	2895	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Shopping Mall	22,868	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Shopping Mall	81,386	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Hotel	22,190	Internal decoration	Aug 2022	2052	100%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex	48,234	Groundwork	November 2022	2057	33.38%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Commercial (Bay Culture Centre)	7,417	In service	Completed	2057	58.76%
Shantou Taisheng Science and Innovation Park (Phase 1, 2) Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Harbour City, Longhu District, Shantou	Complex	272,608	Phase1: Internal decoration; Phase 2: Groundwork	December 2023	2057	58.76%
Shantou Baoneng City Garden (Phase 3) South City Street, Chaoyang District, Shantou	Complex	47,912	Superstructure under way	June 2022	2084	32.12%
Shantou Baoneng City Garden (Phase 3) South City Street, Chaoyang District, Shantou	Kindergarten	2,497	Superstructure under way	June 2022	2084	32.12%
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	13,994	In service	Completed	2053	29.97%
Shenyang Waterfront City No. 305/307, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Residential	6,518	In service	Completed	2082	69.13%
Shenyang Waterfront City No. 299/301, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Commercial (Shops)	12,305	In service	Completed	2052	69.13%
Shenyang Fuyou Building No. 34, Shenxin East Road, Tiexi District, Shenyang, Liaoning	Commercial (Shops)	37,839	In service	Completed	2052	58.76%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Lease expiry	Equity attributable to GSFG Group
Hefei Time Original Garden No. 82, Baxia Road, Hefei Economic and Technological Development Area	Commercial	1,943	In service	Completed	2081	69.13%
Hefei Lingxiang Garden No. 449, Huangshan Road, Shushan District, Hefei	Commercial (Shops)	6,063	In service	Completed	2049	69.13%
Shenzhen Ocean Towers 20A, 20H, Tower 5, District A, Phase 3, Ocean Towers, Seaworld, Nanshan District, Shenzhen	Residential	177	In service	Completed	2074	69.13%
Nanning Wuxianghu No. 1 No. 35, Pingle Avenue, Liangqing District, Nanning	Complex	70,962	Groundwork	January 2022	2054	58.76%
Nanning Wuxiang New District Global Financial Centre (South and North Podium Buildings) No. 665, West of Wuxiang Avenue, Liangqing District, Nanning	Commercial	142,560	Superstructure under way	October 2021	2053	58.76%
Nanning Wuxiang New District Global Financial Centre (T2, T4 Office) No. 665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex	126,168	Completed and up for leasing	Completed	2063	58.76%
Nanning Wuxiang New District Global Financial Centre (T2, T4 Hotel) No. 665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex	48,346	Internal decoration	September 2021	2053	58.76%

### Automation

For the year ended 31 December 2020, the revenue of the automation segment was approximately HK\$545.4 million (2019: approximately HK\$634.2 million), accounting for approximately 7.0% (2019: approximately 5.8%) of GSFG Group's total revenue. The decrease in revenue was mainly due to the delay in customers' procurement plan and decrease in sales order caused by the effect of the outbreak of the Covid-19.

GSFG 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. In 2020, the SMT equipment industry went through a slowdown due to the global economic uncertainties caused by the Sino-US trade war and Covid-19. Despite the challenging economic situation, China's manufacturing industry has benefited from a strong recovery and increased demand for 5G, semiconductors, smart connected devices and electric vehicles. GSFG Group expected that the automation business would benefit from the increase in the industry's demand for smart manufacturing equipment in 2021.

There was a perceptible momentum from the PRC companies to localise their production during the trade war. The localisation of production gained support from the PRC Government and its policies that advocated for supply chain localisation. As a result, market demand for SMT equipment increased. The automation business team took this opportunity to appeal more customers and build a diverse customer base.

The deployment of 5G infrastructure and the advent of 5G smartphones in the PRC contributed to the increase in demand for SMT equipment. In the second quarter of 2020, following the resumption of procurement plan of SMT machines from customers, the sales orders gradually recovered.

Some customers were more inclined to lease used machines instead of acquiring new SMT equipment. This created an opportunity to develop its finance lease business. Since the lease market has largely been shared by multiple major companies, GSFG Group was committed to allocate more resources to enlarge its market share by way of provision of more differentiate products and services, offering free trial of SMT equipment and exploring new markets such as new energy automobile industry.

#### **Securities Investment**

GSFG Group has been investing in listed shares in Hong Kong, the PRC 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 year ended 31 December 2020, the securities investment business generated a loss of approximately HK\$22.0 million (2019: approximately HK\$260.8 million). The operating loss of the segment amounted to approximately HK\$62.2 million (2019: approximately HK\$309.8 million).

#### **Other Investments**

As at 31 December 2020, 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 vigorously participated in the strategic construction brought by The Belt and Road Initiative.

#### **Trading of Commodities**

For the year ended 31 December 2020, the revenue of the trading of commodities segment was approximately HK\$6,129.0 million (2019: approximately HK\$5,160.4 million), accounting for approximately 78.3% (2019: approximately 47.4%) of GSFG Group's total revenue.

**Yacht Club and Training business**

For the year ended 31 December 2020, the revenue of the yacht club and training segments were approximately HK\$18.9 million (2019: approximately HK\$106.0 million), accounting for approximately 0.2% (2019: approximately: 1.0%) of GSFG Group's total revenue. The decrease in revenue was mainly due to a cliff fall in visiting guests caused by the outbreak of the pandemic. In relation to the declining performance of the yacht club and training business, the impairment loss on intangible assets of approximately HK\$419.8 million was incurred and ultimately resulted in an operating loss of approximately HK\$446.4 million for the year. Such impairment loss on intangible assets had no impacts on GSFG Group's cash flow and GSFG Group still maintained sufficient funds and sound overall financial strength regardless of outbreak of the pandemic.

**Others**

Others consist of operation of golf practising court, children playroom and fitness room, and trading of seafood and home appliances in the PRC.

The revenue from others increased by approximately HK\$95.2 million or 1,002.1% from approximately HK\$9.5 million for the year ended 31 December 2019 to approximately HK\$104.7 million for the year ended 31 December 2020 which was mainly attributable to the commencement of operation of children playroom and fitness room and trading of home appliances in the PRC during the year ended 31 December 2020.

**FINANCIAL REVIEW****Continuing operations****Revenue**

GSFG Group's revenue for the year ended 31 December 2020 decreased by approximately 28.1% to approximately HK\$7,826.2 million (2019: approximately HK\$10,887.8 million). The revenue analysis by segment is presented as follows:

	2020		2019		% change
	HK\$' million	Proportion to total revenue	HK\$' million	Proportion to total revenue	
Automation	545.4	7.0%	634.2	5.8%	-14.0%
Financial Services	246.8	3.2%	175.4	1.6%	40.7%
Property Investment and Development	803.4	10.3%	5,063.1	46.5%	-84.1%
Securities Investment	(22.0)	(0.3%)	(260.8)	(2.4%)	-91.6%
Trading of Commodities	6,129.0	78.3%	5,160.4	47.4%	18.8%
Yacht Club	10.0	0.1%	60.0	0.6%	-83.3%
Training	8.9	0.1%	46.0	0.4%	-80.7%
Others	104.7	1.3%	9.5	0.1%	1,002.1%
	<u>7,826.2</u>	<u>100%</u>	<u>10,887.8</u>	<u>100%</u>	<u>-28.1%</u>

During the year, the trading of commodities and property investment and development segments were the major sources of revenue for GSFG Group, accounting for 78.3% and 10.3% of total revenue, respectively.

#### ***Gross Profit and Margin***

The gross profit for the year decreased by approximately 80.2% to approximately HK\$386.7 million (2019: approximately HK\$1,953.7 million), while the gross profit margin decreased to 4.9% (2019: 17.9%). The change was mainly due to the significant decrease in scale of the property sales made handover to the customers in the year as compared with those in 2019.

#### ***Other Gains – Net***

The net other gains during the year was approximately HK\$576.6 million (2019: net other gains approximately HK\$23.9 million), which was mainly due to the gain on disposal of subsidiaries of approximately HK\$519.6 million and the gain from derecognition of financial guarantee contract of approximately HK\$33.4 million.

#### ***Other Income***

The other income increased by approximately 17.0% to approximately HK\$46.1 million (2019: approximately HK\$39.4 million).

#### ***Distribution Costs***

The distribution costs increased by approximately 76.1% to approximately HK\$131.4 million (2019: approximately HK\$74.6 million), accounting for 1.7% (2019: 0.7%) of the total revenue. The increase in distribution costs was mainly due to the increase in advertising, promotion and exhibition expenses of approximately HK\$23.8 million and increase in agency service fee of approximately HK\$13.9 million.

#### ***Administrative Expenses***

The administrative expenses decreased by approximately 8.2% to approximately HK\$355.8 million (2019: approximately HK\$387.4 million), owing to the effective implementation of cost control policy to reduce the routine administrative expenses.

#### ***Finance Costs – Net***

The net finance costs was approximately HK\$56.3 million (2019: approximately HK\$192.5 million). The decrease in net finance costs was because of increasing interest expenses that qualified for capitalisation.

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

During the year ended 31 December 2020, GSFG Group recorded an income tax credit of approximately HK\$93.4 million (2019: income tax expense of approximately HK\$595.4 million) was mainly due to the deferred tax credit derived from revaluation of properties.

**Discontinued operations**

During the year ended 31 December 2019, GSFG Group disposed of its online game service business and manufacturing business in the PRC and recognised loss from discontinued operations of approximately HK\$88.7 million.

***(Loss)/Profit Attributable to Owners of the Company***

For the year ended 31 December 2020, the Company recorded a loss attributable to the owners of the Company of approximately HK\$217.3 million (2019: profit attributable to the owners of the Company of approximately HK\$684.3 million).

**FINANCIAL RESOURCES REVIEW****Liquidity and Financial Resources**

By adopting a prudent financial management approach, GSFG Group continued to maintain a healthy financial position with good cash flow. As at 31 December 2020, GSFG Group's cash and cash equivalents of approximately HK\$1,724.7 million (2019: approximately HK\$1,313.6 million). The GSFG Group's cash and cash equivalents were mainly denominated in Hong Kong dollar, RMB, and US dollar. The working capital represented by net current assets amounted to approximately HK\$7,789.3 million (2019: approximately HK\$4,235.6 million). The current ratio was approximately 1.6 (2019: approximately 1.3). The gearing ratio, which is calculated at borrowings divided by net asset value, was 123.3% (2019: 91.8%).

As at 31 December 2020, the total borrowings of GSFG Group amounted to approximately HK\$13,392.0 million, of which equivalents of approximately HK\$153.4 million, HK\$3.8 million, HK\$1,992.4 million and HK\$11,242.4 million were denominated in US dollar, Japanese Yen, Hong Kong dollar and RMB, respectively.

The borrowings of GSFG Group as at 31 December 2020 included corporate bonds of approximately HK\$1,020.0 million (2019: approximately HK\$1,688.4 million), trust receipt loans of approximately HK\$8.7 million (2019: approximately HK\$36.5 million), bank loans of approximately HK\$6,800.9 million (2019: approximately HK\$4,022.2 million), and other loans of approximately HK\$5,562.4 million (2019: HK\$4,133.6 million). As at 31 December 2020, GSFG Group's bank and other borrowings balance of approximately HK\$6,582.4 million was charged at fixed interest rate, and approximately HK\$6,809.6 million was charged at floating interest rates.

As at 31 December 2020, the maturity profile of the borrowings was approximately HK\$6,448.8 million (representing approximately 48.2% of the total borrowings) due within one year, approximately HK\$1,071.9 million (representing approximately 8.0% of the total borrowings) due after one year but not exceeding two years, and approximately HK\$5,871.3 million (representing approximately 43.8% of the total borrowings) due after two years but not exceeding five years.

### **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 an independent third party (2019: the Company, shareholder of the Company, certain of its subsidiaries and related parties); (ii) properties owned by an independent third party (2019: nil); (iii) equity interests of certain subsidiaries of the Company (2019: same); (iv) property, plant and equipment of approximately HK\$126.6 million (2019: approximately HK\$137.0 million); (v) investment properties of approximately HK\$5,536.7 million (2019: approximately HK\$4,561.6 million); (vi) properties under development of approximately HK\$6,491.3 million (2019: approximately HK\$5,116.5 million); (vii) completed properties held for sale of approximately HK\$1,333.4 million (2019: approximately HK\$85.9 million); (viii) financial assets at FVTPL of approximately HK\$310.5 million (2019: approximately HK\$19.6 million); (ix) collateral of GSFG Group's margin clients of approximately 828.3 million (2019: approximately HK\$227.6 million); (x) pledged bank deposit of approximately HK\$178.7 million (2019: approximately HK\$610.6 million); and (xi) intragroup group receivables of a subsidiary of the Company (2019: nil).

### **Capital and Other Commitments**

As at 31 December 2020, GSFG Group had contracted but not provided for capital commitments of approximately HK\$215.2 million, HK\$17,600.7 million and HK\$3.8 million (2019: approximately HK\$240.0 million, HK\$11,300.9 million and HK\$5.2 million) relating to the investment in an associate; investment properties and property development expenditures; and property, plant and equipment, respectively.

### **Funding and treasury policy**

For the year ended 31 December 2020, GSFG Group primarily financed its operations and investing activities with its operating revenue, internal resources and bank and other borrowings. The Board believed that GSFG Group had sufficient resources to satisfy its capital expenditure and working capital requirement. GSFG Group regularly reviewed its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

**Currency Exposure and Management**

During the year, GSFG Group's receipts were mainly denominated in Hong Kong dollars, RMB, and US dollars. GSFG Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of GSFG Group's automation and property investment and development segments were mainly conducted in the mainland China, most of GSFG 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 GSFG Group's profitability. GSFG 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, GSFG Group did not enter into any foreign exchange forward contract or any other financial instruments for hedging purposes.

**Future Plans for Capital Investment and Expected Source of Funding**

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

As at 31 December 2020, GSFG Group did not have any future plans for material investment or capital assets.

**Fund raising for future business development**

When GSFG 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.

**Employees and Remuneration Policy**

As at 31 December 2020, GSFG Group had 1,036 (2019: 1,020) full-time employees in Hong Kong and the PRC. For the purposes of facilitating the business development of GSFG Group, keeping up with market demand, as well as meeting the needs of talent development, the creation of an efficient, pragmatic and flexible multi-dimensional training model became the main objective of GSFG Group's talent development system in 2020. GSFG Group emphasized heavily on the advancement of the employees' professional capability, and established a relatively sophisticated learning and development system in the headquarters and other branch entities with the coverage of the four main categories, namely management, integration, business and general application for meeting the needs of employees at all stages of career development. For the year ended 31 December 2019, GSFG Group provided periodic training to its employees in relation to different areas such as anti-money laundering, work safety and professional ethics.

For the year ended 31 December 2020, staff remuneration for the employees of GSFG Group included salary pay, discretionary bonus payment which depended on individual performance and profitability of GSFG Group, contributions to the social security insurance in the PRC and mandatory provident fund scheme in Hong Kong, medical insurance and other competitive fringe benefits. The remuneration policies for the employees of GSFG Group were determined according to the responsibility, competence, skills, experience and performance of the employees as well as market pay level. GSFG Group reviewed remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. 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.

#### 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\$919.4 million of which had been utilised 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	20.0
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	<u>300.0</u>
	<u><u>919.4</u></u>

Save for the HK\$80.0 million dedicated to the corporate finance division which had yet been utilised, all net proceeds of the Share Subscription had been used for the intended uses as set out in the Circular. The unutilised net proceeds was deposited with the banks in Hong Kong.

**CONTINGENT LIABILITIES**

As at 31 December 2020, GSFG Group had no material contingent liabilities (2019: nil).

**SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF  
SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE YEAR ENDED 31  
DECEMBER 2020**

During the year ended 31 December 2020, GSFG Group had the following material disposal of subsidiary:

**(I) Disposal of He Shan World Fair Electronic Technology Limited\***

On 22 June 2020, GSFG Group disposed of its entire equity interest in He Shan World Fair Electronic Technology Limited\* (鶴山市世逸電子科技有限公司) for a cash consideration of HK\$382,063,000. For further details on the disposal of He Shan World Fair Electronic Technology Limited, please refer to the annual report of the Company for the year ended 31 December 2020.

GSFG Group did not have any significant investment as at 31 December 2020.

**FOR THE YEAR ENDED 31 DECEMBER 2021****REVIEW OF RESULTS AND OPERATIONS**

GSFG Group conducted its business activities in the following major business segments, namely (i) financial services; (ii) property investment and development; (iii) automation; and (iv) securities investment. For the year ended 31 December 2021, GSFG Group recorded a revenue of approximately HK\$2,614.8 million, representing an increase of 66.2% when compared with that of 2020. The loss attributable to owners of the Company amounted to approximately HK\$189.0 million, representing a decrease of 13.0% when compared with a loss attributable to owners of the Company of approximately HK\$217.3 million for the year ended 31 December 2020.

**Financial Services**

For the year ended 31 December 2021, the financial services segment netted approximately HK\$102.7 million in revenue (2020: approximately HK\$246.8 million), representing a year-on-year decrease of approximately 58.4% and approximately 3.9% of GSFG Group's total revenue (2020: 15.7%). The operating loss amounted to approximately HK\$181.9 million (2020: operating profit approximately HK\$145.4 million).

***Securities Brokerage Services***

The securities brokerage team is committed to providing its clients with more comprehensive, professional and convenient services over the past years to enlarge GSFG Group's market share, and therefore, trading volume of securities in the market rises year by year. It continued to adjust 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 to seize the opportunities presented by the vigorous securities market. With more popular functions added to the eTrading mobile application, clients tended to conduct more trades online as a result of better investment experience.

***Corporate Finance Services***

The corporate finance team provided sponsoring, underwriting and placement services to clients for their fund-raising activities in equity and debt capital market. Financial advisory services and other corporate advisory services were also provided to clients for their corporate finance activities including restructuring, mergers and acquisitions. In 2021, GSFG Group acted as sponsor, joint bookrunners and joint lead managers for various applications of IPO and offered assistance to the issuance of private and public securities.

***Asset Management Services***

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 the annual report of the Company for the year ended 31 December 2021, it acted as the investment manager for 3 segregated portfolio company funds with 6 segregated portfolios. Further, it also provided investment advisory services to institutional clients on a wide range of investment products in the financial markets. As at 31 December 2021, the total assets under management amounts to approximately HK\$5.47 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. 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. In 2021, the Company could provide diversified wealth management services to its clients so as to fulfill their different wealth management needs.

***Money-lending Services***

GSFG 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. In 2021, GSFG Group continued to optimize its money lending business structure by adopting a conservative approach and tightened loan approval procedures to strengthen its risk and capital management.

***Precious Metal Trading Services***

GSFG 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. In 2021, 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**

For the year ended 31 December 2021, the revenue of the property investment and development segment was approximately HK\$1,767.7 million (2020: approximately HK\$803.3 million), accounting for approximately 67.6% (2020: approximately 51.0%) of GSFG Group's total revenue. The increase in revenue was mainly due to the increase in scale of property sales made handover to the customers during the year as compared with those in 2020.

For the year ended 31 December 2021, the operating profit of the property investment and development segment was approximately HK\$98.0 million, compared to the operating loss of approximately HK\$388.0 million recorded in the previous year. The turnaround from the operating loss to operating profit was primarily due to the increase in gross profit and fair value gain on investment properties located in the PRC of approximately HK\$144.2 million.

GSFG Group's property investment and development segment is mainly rooted in the Guangdong-Hong Kong-Macao Greater Bay Area. At present, it has implemented a total of 3 property investment and development projects in 2 cities, namely Shenzhen and Ganzhou. The development projects include commercial complexes, upscale residences, hotels, commercial apartments and office buildings.

The Company also has certain investment properties in Hong Kong for the purpose of leasing.

**Major Properties Held by GSFG Group****(A) Property Held for Development and/or Sale:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Residential	5,629	Completed and up for sale	Completed	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Commercial	28,494	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	38,314	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Residential	371	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	16,994	Completed and up for sale	Completed	100%
Ganzhou Baoneng Centre Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Office	37,339	Completed and up for sale	Completed	100%

**(B) Property Held for Investment:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Lease expiry	Equity attributable to GSFG Group
Baoxin Technology Park (Phase 1-3) No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Office, Industrial, Dormitory	426,878	Phase 1, 2: In service; Phase 3: Groundwork	Aug 2022	2055	75.5%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Office	880	In service	Completed	2059	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Shopping Mall	22,868	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Shopping Mall	81,386	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Hotel	22,190	Internal decoration	Aug 2022	2052	100%

**Automation**

For the year ended 31 December 2021, the revenue of the automation segment hit a new record and was approximately HK\$794.0 million (2020: approximately HK\$545.4 million), representing an increase of 45.58% over the last year and accounting for approximately 30.4% (2020: approximately 34.7%) of GSFG Group's total revenue. The increase in revenue 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.

As China has entered the industrial 4.0 era, the manufacturing industry in China accelerates the intelligent transformation. The "Intelligent Factory" and "Intelligent Manufacturing" have increased the demand for a large number of SMT equipment. Gallant Tech Limited, a subsidiary of the Company, focuses on the sales and technical services of advanced intelligent-manufacturing equipment, including SMT and semiconductor manufacturing equipment, and also provides equipment leasing, financing and other ancillary services. Gallant Tech Limited will continuously benefit from the development opportunities arising from the transformation of the manufacturing industry in China. In addition, GSFG Group will keep allocating more resources in intelligent manufacturing service sector, and provide advanced intelligent-manufacturing equipment and solutions to the electronic manufacturing industry in China, so as to serve the real economy and facilitate its clients to march towards the industrial 4.0 era.

**Securities Investment**

GSFG Group has been investing in listed shares in Hong Kong, the PRC 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 year ended 31 December 2021, the securities investment business generated a loss of approximately HK\$49.6 million (2020: approximately HK\$22.0 million). The operating loss of the segment amounted to approximately HK\$67.8 million (2020: approximately HK\$62.2 million).

**Other Investments**

As at 31 December 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 vigorously participated in the strategic construction brought by The Belt and Road Initiative.

**FINANCIAL REVIEW**

During the year ended 31 December 2021, GSFG Group discontinued or disposed of several businesses/subsidiaries, including the disposal of Yue Jin Asia and its subsidiaries which were principally engaged in operation of yacht club and distributed the shares of GSLG as interim dividend by way of distribution in specie of shares. GSLG is principally engaged in trading of commodities and property development and investment. The disposal and distribution of shares have significant impact on the financial position and results of GSFG Group during the year.

The total liabilities of GSFG Group as at 31 December 2021 decreased by 84.1% to approximately HK\$3,550 million (2020: approximately HK\$22,262 million). The gearing ratio, which is calculated at borrowings divided by net assets value significantly decreased to 31.7% (2020: 123.3%).

**Continuing operations****Revenue**

GSFG Group's revenue for the year ended 31 December 2021 increased by approximately 66.2% to approximately HK\$2,614.8 million (2020: approximately HK\$1,573.5 million). The revenue analysis by segment is presented as follows:

	2021		2020		% change
	HK\$' million	Proportion to total revenue	HK\$' million	Proportion to total revenue	
Automation	794.0	30.4%	545.4	34.7%	45.6%
Financial Services	102.7	3.9%	246.8	15.7%	-58.4%
Property Investment and Development	1,767.7	67.6%	803.3	51.0%	120.1%
Securities Investment	(49.6)	(1.9%)	(22.0)	(1.4%)	125.5%
	<u>2,614.8</u>	<u>100%</u>	<u>1,573.5</u>	<u>100%</u>	<u>66.2%</u>

During the year, property investment and development and automation segments were the major source of revenue for GSFG Group, accounting for 67.6% and 30.4% of total revenue, respectively.

**Gross Profit and Margin**

The gross profit for the year increased by approximately 28.0% to approximately HK\$432.8 million (2020: approximately HK\$338.1 million), while the gross profit margin decreased to 16.6% (2020: 21.5%). The change was mainly due to the increase in scale of the property sales made handover to the customers in the year as compared with those in 2020.

**Other Gains – Net**

The net other gains during the year was approximately HK\$254.5 million (2020: net other gains approximately HK\$571.8 million), which was mainly due to the decrease in gain on disposal of subsidiaries by approximately HK\$223.1 million and the decrease in gain from derecognition of financial guarantee contract by approximately HK\$33.4 million.

**Other Income**

The other income increased by approximately 15.9% to approximately HK\$51.7 million (2020: approximately HK\$44.6 million).

***Distribution Costs***

The distribution costs increased by approximately 20.1% to approximately HK\$139.9 million (2020: approximately HK\$116.5 million), accounting for 5.4% (2020: 7.4%) of the total revenue. The increase in distribution costs was mainly due to the increase in staff cost of approximately HK\$11.8 million and increase in advertising, promotion and exhibition expenses of approximately HK\$5.8 million.

***Administrative Expenses***

The administrative expenses decreased by approximately 16.4% to approximately HK\$284.1 million (2020: approximately HK\$340.0 million), owing to the effective implementation of cost control policy to reduce the routine administrative expenses.

***Finance Costs – Net***

The net finance costs was approximately HK\$66.1 million (2020: approximately HK\$20.0 million).

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

During the year ended 31 December 2021, GSFG Group recorded an income tax expense of approximately HK\$104.0 million (2020: income tax credit of approximately HK\$52.3 million) which was mainly due to the decrease in deferred tax credit derived from revaluation of properties.

***Discontinued operations***

During the year ended 31 December 2021, GSFG Group disposed of its yacht club operation and the provision of training services in the PRC and ceased to engage in trading of commodities, operation of golf practicing court, karaoke box, children playroom and fitness room and trading of home appliances and building materials upon completion of distribution in specie. GSFG Group recognized profit from discontinued operations of approximately HK\$47.7 million.

***Loss attributable to owners of the Company***

For the year ended 31 December 2021, the Company recorded a loss attributable to the owners of the Company of approximately HK\$189.0 million (2020: approximately HK\$217.3 million).

**FINANCIAL RESOURCES REVIEW****Liquidity and Financial Resources**

By adopting a prudent financial management approach, GSFG Group continued to maintain a healthy financial position. As at 31 December 2021, GSFG Group had cash and cash equivalents of approximately HK\$730.1 million (2020: approximately HK\$1,724.7 million). The GSFG Group's cash and cash equivalents were mainly denominated in Hong Kong dollar, RMB, and US dollar. The working capital represented by net current assets amounted to approximately HK\$1,765.4 million (2020: approximately HK\$7,789.3 million). The current ratio was approximately 1.5 (2020: approximately 1.6). The gearing ratio, which is calculated at borrowings divided by net asset value, was 31.7% (2020: 123.3%).

As at 31 December 2021, the total borrowings of GSFG Group amounted to approximately HK\$2,006.3 million, of which equivalents of approximately HK\$46.8 million, HK\$1,158.1 million and HK\$801.4 million were denominated in US dollar, Hong Kong dollar and RMB, respectively.

The borrowings of GSFG Group as at 31 December 2021 included corporate bonds of approximately HK\$356.0 million (2020: approximately HK\$1,020.0 million), trust receipt loans of approximately HK\$14.8 million (2020: approximately HK\$8.7 million) and bank loans of approximately HK\$1,193.9 million (2020: approximately HK\$6,800.9 million), and other loans of approximately HK\$441.6 million (2020: HK\$5,562.4 million). As at 31 December 2021, GSFG Group's bank and other borrowings balance of approximately HK\$797.6 million was charged at fixed interest rate, and approximately HK\$1,208.7 million was charged at floating interest rates.

As at 31 December 2021, approximately HK\$2,006.3 million of the borrowings (representing 100% of the total borrowings) was due within one year.

**Charge of Assets**

The borrowings as at 31 December 2021 were secured by (i) guarantees provided by the Company, shareholder of the Company, certain of its subsidiaries and related parties; (ii) property, plant and equipment of approximately HK\$184.3 million; (iii) investment properties of approximately HK\$1,885.0 million; (iv) financial assets at FVTPL of approximately HK\$121.0 million; (v) collateral of GSFG Group's margin clients of approximately HK\$816.8 million; and (vi) pledged bank deposit of approximately HK\$6.0 million.

The borrowings as at 31 December 2020 were secured by (i) guarantees provided by the Company, shareholder of the Company, certain of its subsidiaries, related parties and an independent third party; (ii) properties owned by an independent third parties; (iii) equity interests of certain subsidiaries of the Company; (iv) property, plant and equipment of approximately HK\$126.6 million; (v) investment properties of approximately HK\$5,536.7 million; (vi) properties under development of approximately HK\$6,491.3 million; (vii) completed properties held for sale of approximately HK\$1,333.4 million; (viii) financial assets at FVTPL of approximately HK\$310.5 million; (ix) collateral of GSFG Group's margin clients of approximately 828.3 million; (x) pledged bank deposit of approximately HK\$178.7 million; and (xi) intragroup group receivables of a subsidiary of the Company.

**Funding and treasury policy**

For the year ended 31 December 2021, GSFG Group primarily financed its operations and investing activities with its operating revenue, internal resources and bank and other borrowings. The Board believed that GSFG Group had sufficient resources to satisfy its capital expenditure and working capital requirement. GSFG Group regularly reviewed its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

**Capital and Other Commitments**

As at 31 December 2021, GSFG Group had contracted but not provided for capital commitments of approximately HK\$215.2 million, HK\$1,424.4 million and nil (2020: approximately HK\$215.2 million, HK\$17,600.7 million and HK\$3.8 million) relating to the investment in an associate; investment properties and property development expenditures; and property, plant and equipment, respectively.

**Currency Exposure and Management**

During the year, GSFG Group's receipts were mainly denominated in Hong Kong dollars, RMB and US dollars. GSFG Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of GSFG Group's automation and property investment and development segments were mainly conducted in the mainland China, most of GSFG 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 GSFG Group's profitability. GSFG 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, GSFG Group did not enter into any foreign exchange forward contract or any other financial instruments for hedging purposes.

**Future Plans for Capital Investment and Expected Source of Funding**

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

As at 31 December 2021, GSFG Group did not have any future plans for material investment or capital assets.

**Fund raising for future business development**

When GSFG 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.

**Employees and Remuneration Policy**

As at 31 December 2021, GSFG Group had 331 (2020: 1,036) full-time employees in Hong Kong and the PRC. For the year ended 31 December 2021, GSFG Group provided periodic training to its employees in relation to different areas such as environmental, social and governance issues, intellectual property and work safety. GSFG Group also sent its employees to participate in external professional training to enhance their professional knowledge and skills and broaden their professional vision.

For the year ended 31 December 2021, staff remuneration for the employees of GSFG Group included salary pay, discretionary bonus payment which depended on individual performance and profitability of GSFG Group, contributions to the social security insurance in the PRC and mandatory provident fund scheme in Hong Kong, medical insurance and other competitive fringe benefits. The remuneration policies for the employees of GSFG Group were determined according to the responsibility, competence, skills, experience and performance of the employees as well as market pay level. GSFG Group reviewed remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

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.

**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\$936.1 million of which had been utilised 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	56.1
(iii) corporate finance division	20.0
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	<u>300.0</u>
	<u><u>936.1</u></u>

Save for the HK\$63.3 million dedicated to the corporate finance division and expected to be utilised by 31 December 2022, all net proceeds of the Share Subscription had been used for the intended uses as set out in the Circular. The unutilised net proceeds was deposited with the banks in Hong Kong.

**CONTINGENT LIABILITIES**

As at 31 December 2021, GSFG Group had no material contingent liabilities (2020: nil).

**SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF  
SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE YEAR ENDED 31  
DECEMBER 2021**

During the year ended 31 December 2021, GSFG Group had the following material disposal of subsidiaries:

**(I) Disposal of Shenzhen Xinpeng Fresh Food Industry Company Limited\***

On 23 June 2021, GSFG Group disposed of its 51% equity interest in Shenzhen Xinpeng Fresh Food Industry Company Limited\* (深圳市新鵬生鮮食品實業有限公司) (“**Shenzhen Xinpeng**”) which was principally engaged in trading of seafood for a cash consideration of RMB15,000,000 (equivalent to approximately HK\$18,270,000). For further details on the disposal of Shenzhen Xinpeng, please refer to the annual report of the Company for the year ended 31 December 2021.

**(II) Disposal of Yue Jin Asia Limited**

On 23 July 2021, GSFG Group disposed of its entire equity interest in Yue Jin Asia Limited (“**Yue Jin Asia**”) which was principally engaged in operation of yacht club as well as provision of training services. For further details on the disposal of Yue Jin Asia, please refer to the annual report of the Company for the year ended 31 December 2021.

GSFG Group did not have any significant investment as at 31 December 2021.

**FOR THE SIX MONTHS ENDED 30 JUNE 2022****MARKET OVERVIEW**

Due to the ongoing COVID-19 pandemic, complex and volatile macroeconomic situation at home and abroad, and volatile geopolitical landscape, the economic development of both mainland China and Hong Kong suffered a significant impact in the first half of 2022. As a fully market-oriented enterprise, GSFG Group was inevitably affected in its operation and financial condition. GSFG Group expects that the tough and challenging market condition may persist over a period of time, but it firmly believes that the current business strategy is viable and sustainable. In the long run, GSFG Group remains optimistic about the prospects for its business operations. Looking forward, GSFG Group will continuously explore business opportunities for its business segments so as to create higher value for the Shareholders.

**OVERVIEW OF FINANCIAL SERVICES BUSINESS**

For the six months ended 30 June 2022, the financial services segment netted approximately HK\$12.4 million in revenue (30 June 2021: approximately HK\$139.2 million in revenue), accounting for approximately -3.1% of GSFG Group's total revenue (30 June 2021: 13.5%). The operating loss amounted to approximately HK\$86.7 million (30 June 2021: profit of approximately HK\$77.3 million).

**Securities Brokerage Services**

2022 was a tough year for China concept stocks, technology and real estate sectors, as listed companies in the sectors have continuously been impacted by regulatory policies. Coupled with the pandemic and weak economy, it led to a major correction in Hong Kong's stock market. The Hang Seng Index even fell to a low of 18,000 points, and the average daily trading turnover shrunk sharply. On the whole, Hong Kong's stock market had unsatisfactory performance.

The downturn in the Hong Kong stock market posed major challenges to the securities brokerage services industry in the city. In the first half of 2022, many securities firms in Hong Kong closed down during the fifth wave of the pandemic. It was expected that the wave of closings would continue in the second half of the year.

Notwithstanding unsatisfactory market conditions, the securities brokerage team, with the increase in support from GSFG Group, managed to make steady progress to provide its clients with more comprehensive and professional services. GSFG Group 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. In the face of volatile market conditions, the Company kept improving internal control measures and strengthening risk management. The Company also reduced the impact of adverse market factors by streamlining its structure and reducing operating expenses, making it more flexible in the market competition.

**Corporate Finance Business**

For the six months ended 30 June 2022, the corporate finance team provided sponsoring, underwriting and placement services to clients for their fund-raising activities in equity and debt capital market. Financial advisory services and other corporate advisory services were provided to clients for their corporate finance activities including restructuring, mergers and acquisitions.

The IPO fundraising activities in Hong Kong slowed down amid headwinds from the COVID-19 pandemic, geopolitical instability and interest rate hikes in many countries to curb inflation. Total funds raised through IPOs were merely HK\$17.1 billion in the first half of 2022, a sharp drop of 92% from a year earlier. GSFG Group's corporate finance business was also affected. GSFG Group actively expanded financing channels for clients, and made breakthroughs in bond underwriting business. During the period, it underwrote several bond issuance projects.

**Asset Management Business**

In the first half of 2022, the asset management team was dedicated to promoting the establishment of a new system and strengthening the allocation of high-quality assets, investment operations, risk management, etc. Meanwhile, it 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 the 2022 Interim Report, it acted as the investment manager for three segregated portfolio company funds who captured business opportunities in line with strategies at different stages.

**Wealth Management Business**

As one of the world's leading wealth management centres, Hong Kong has been providing comprehensive financial services to onshore and offshore clients. With its geographical advantages and long-term experience in serving the PRC market, Hong Kong is expected to maintain its leading position in the wealth management sector in Greater China and further develop its wealth management industry. The wealth management team leveraged GSFG Group's diversified financial service capabilities to enhance cooperation with other business units within GSFG Group to increase sales revenue. The wealth management team constantly increased products and services, including providing trust services for clients, in order to meet the wealth management needs of clients. Regarding the outlook for the second half of 2022, GSFG Group believes that after customs clearance between mainland China and Hong Kong, a large number of clients will make investments and take out insurance in Hong Kong. GSFG Group is expected to see significant growth in results.

**Credit Business**

GSFG 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, which is one of GSFG Group's principal going concerns. For the six months ended 30 June 2022, GSFG Group continuously optimised its money lending business structure by adopting a prudent approach and tightening loan approval procedures. With reference to the prevailing market condition, GSFG Group adjusted the interest rate and loan-to-value ratio on a regular basis to strengthen its risk and capital management.

**Precious Metal Trading Business**

GSFG Group is an A1 member of the Chinese Gold and Silver Exchange Society that is allowed to trade 99 Gold, HKD Kilo Gold, London Gold/Silver and Loco Silver. During the period, it continuously provided 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 rendered services of investment management and investment advisory for them to capture profit opportunities.

**PROPERTY INVESTMENT AND BUSINESS DEVELOPMENT**

For the six months ended 30 June 2022, the revenue of the property investment and development segment was approximately HK\$147.9 million (30 June 2021: approximately HK\$454.5 million), accounting for approximately 36.9% (30 June 2021: approximately 44.0%) of GSFG Group's total revenue. The decrease in revenue was mainly due to the decrease in property sales as those property projects made handover to customers during the period were relatively smaller than those in the corresponding period in 2021.

For the six months ended 30 June 2022, the operating loss of the property investment and development segment was approximately HK\$251.2 million, compared to the operating profit of approximately HK\$385.6 million recorded in the corresponding period in 2021. The shift from operating profit to operating loss was primarily due to a fair value loss of approximately HK\$290.0 million on investment properties located in the PRC and Hong Kong.

GSFG Group's property investment and development segment is mainly rooted in the Guangdong-Hong Kong-Macao Greater Bay Area. At present, it has implemented three property investment and development projects in two cities, namely Shenzhen and Ganzhou. The development projects include commercial complexes, upscale residences, hotels, commercial apartments and office buildings. Completed investment properties continuously generate steadily increasing rents and management fees for GSFG Group.

**Major Properties Held by GSFG Group****(A) Property Held for Development and/or Sale:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Residential	5,629	Completed and up for sale	Completed	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Commercial	28,494	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	38,314	Completed and up for sale	Completed	100%

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Equity attributable to GSFG Group
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Residential	371	Completed and up for sale	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	16,994	Completed and up for sale	Completed	100%
Ganzhou Baoneng Centre Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Office	37,339	Completed and up for sale	Completed	100%

**(B) Property Held for Investment:**

Location	Classification	Approximate gross floor area (sq.m.)	Progress in Development	Estimated date of completion	Lease expiry	Equity attributable to GSFG Group
Baoxin Technology Park (Phase 1-3) No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Office, Industrial, Dormitory	426,878	Phase 1, 2: In service; Phase 3: Groundwork	December 2024	2055	75.5%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Office	880	In service	Completed	2059	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Shopping Mall	22,868	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Shopping Mall	81,386	In service	Completed	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Hotel	22,190	Internal decoration	Completed	2052	100%

**AUTOMATION BUSINESS**

For the six months ended 30 June 2022, the revenue of the automation segment was approximately HK\$260.7 million (30 June 2021: approximately HK\$470.3 million), accounting for approximately 65.1% (30 June 2021: approximately 45.6%) of GSFG Group's total revenue. The operating profit decreased by 44.7% to approximately HK\$15.7 million (30 June 2021: approximately HK\$28.4 million). The decrease in revenue and operating profit was primarily due to the sharp decline in the sales volume of smartphones in the first half of 2022, the slowdown in clients' equipment procurement plans, and the delivery delay for some equipment as a result of chip shortages.

GSFG 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 COVID-19 pandemic, 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. GSFG Group is committed to allocating 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.

### **PROSPECT**

The ongoing COVID-19 pandemic and complex political and economic environment have brought unprecedented risks and challenges to the global economy. The economy in mainland China and Hong Kong is expected to remain hit by the pandemic in the second half of 2022. Nevertheless, GSFG Group expects that the COVID-19 pandemic will be gradually kept under control with the popularisation of vaccination and the application of related drugs, and the economy as a whole will have the opportunity to benefit from the further relaxation of COVID-19 control policies.

GSFG Group realises that the demand for the application of fintech in the financial industry has been on an increasing trend. Therefore, GSFG Group has increased its investment in optimising its e-trading mobile application to provide better client support services and up-to-date promotional and marketing strategies to adapt to the new investment pattern of investors. GSFG Group will continuously advance the network security of its electronic trading platform to protect clients' interests, overcome forthcoming challenges and seize opportunities. GSFG Group will continue to deepen its service capabilities in financial business to better meet the wealth management needs of various clients. In the meantime, it will connect more closely with the real economy to provide better and comprehensive financial services for the real economy and technological development.

As far as property investment and business development is concerned, the leased and to-be-completed properties will continuously generate steadily increasing rents and management fees for GSFG Group. GSFG Group will prudently seize market opportunities, constantly optimise its financial structure, increase the efficiency of capital operation, and adjust its competition strategies in time, striving to provide strong support for business development.

In recent years, GSFG Group has increased its resources in the advanced manufacturing services sector, providing advanced manufacturing equipment and productive services associated with intelligent manufacturing. GSFG Group's automation segment has been providing world-class automated manufacturing devices and services for the industries of smartphones, Internet of Things, semiconductors, automotive electronics in the PRC. The intelligent and upgraded

development of China's manufacturing industry will continue to bring growth opportunities to the business segment. We will pay attention to investment opportunities in the semiconductor, automotive electronics and new energy manufacturing equipment industries, and identify suitable investment targets to seize the opportunities for rapid growth in the industries. GSFG Group will constantly expand its product lines and services, and provide advanced high-end intelligent manufacturing equipment and services for China's electronic manufacturing industry, so as to make contributions to the development of China's intelligent manufacturing industry.

GSFG Group's robust and diversified business portfolios and ability to capture market trading opportunities enable it to maintain stable shareholder returns. Looking forward to the second half of 2022, GSFG Group will adopt a prudent strategy for real estate and financial businesses, actively grasp investment opportunities in high-end manufacturing equipment and intelligent manufacturing sectors, seek business opportunities that can improve shareholder returns and enhance sustainable development capabilities, and conduct rigorous and prudent financial management to maintain a sound financial condition.

## FINANCIAL REVIEW

### Continuing Operations

#### Revenue

GSFG Group's revenue for the six months ended 30 June 2022 decreased by 61.2% to approximately HK\$400.5 million (30 June 2021: approximately HK\$1,031.9 million). The revenue analysis by segment is presented as follows:

	For the six months ended 30 June		2021		% change
	2022	Proportion to	2021	Proportion to	
	HK\$' million	total revenue	HK\$' million	total revenue	
Automation	260.7	65.1%	470.3	45.6%	-44.6%
Financial Services	(12.4)	(3.1)%	139.2	13.5%	-108.9%
Property Investment and Development	147.9	36.9%	454.5	44.0%	-67.5%
Securities Investment	4.3	1.1%	(32.1)	(3.1)%	-113.4%
	<u>400.5</u>	<u>100.0%</u>	<u>1,031.9</u>	<u>100.0%</u>	<u>-61.2%</u>

During the six months ended 30 June 2022, automation and property investment and development segments were the major source of revenue for GSFG Group, accounting for 65.1% and 36.9% of total revenue, respectively.

**Gross Profit and Margin**

The gross profit decreased by 70.3% to approximately HK\$97.9 million (30 June 2021: approximately HK\$329.1 million), while the gross profit margin decreased to 24.4% (30 June 2021: 31.9%). The change was mainly due to the decrease in scale of the property sales made handover to the customers and the increase in securities investment loss in the six months ended 30 June 2022 as compared with the corresponding period in 2021.

**Other Gains – Net**

The net other gains for the six months ended 30 June 2022 was approximately HK\$0.3 million (30 June 2021: nil).

**Other Income**

The other income increased by 34.3% to approximately HK\$19.2 million (30 June 2021: approximately HK\$14.3 million).

**Distribution Costs**

The distribution costs decreased by 81.8% to approximately HK\$10.8 million (30 June 2021: approximately HK\$59.5 million), accounting for 2.7% (30 June 2021: 5.7%) of the total revenue. The decrease in distribution costs was mainly due to the decrease in advertising, promotion and exhibition expenses of approximately HK\$18.3 million and decrease in employee benefit expenses and sales commission of approximately HK\$24.1 million.

**Administrative Expenses**

The administrative expenses decreased by 29.6% to approximately HK\$107.5 million (30 June 2021: approximately HK\$152.6 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 income was approximately HK\$45.9 million (30 June 2021: net finance costs of approximately HK\$10.7 million). The turnaround was because of the increase in interest income on bank deposits and financial assets at mortised cost.

**Income Tax Credit/(Expense)**

The income tax credit was approximately HK\$58.6 million (30 June 2021: income tax expense of approximately HK\$111.5 million) due to the substantial increase in deferred tax assets derived from the revaluation of investment properties.

**Discontinued operations**

Due to the disposal of yacht club operation and the provision of training services in the PRC and the cessation to engage in trading of commodities, operation of golf practicing court, children playroom and fitness room and trading of home appliances and building materials upon completion of distribution in specie in late 2021, the presentation of comparative information in respect of the condensed consolidated statement of profit or loss and comprehensive income for the six months ended 30 June 2021 has been represented under discontinued operations, with a loss of approximately HK\$117.3 million.

**(Loss)/profit Attributable to Owners of the Company**

The Company recorded a loss attributable to owners of the Company of approximately HK\$233.6 million (30 June 2021: profit of approximately HK\$170.1 million).

**FINANCIAL RESOURCES REVIEW****Liquidity and Financial Resources**

By adopting a prudent financial management approach, GSFG Group continued to maintain a healthy financial position. As at 30 June 2022, GSFG Group's cash and cash equivalents totaled approximately HK\$538.2 million (31 December 2021: approximately HK\$730.1 million). The GSFG Group's cash and cash equivalents were mainly denominated in Hong Kong dollar, RMB, and US dollar. The working capital represented by net current assets amounted to approximately HK\$1,428.0 million (31 December 2021: approximately HK\$1,765.4 million). The current ratio was approximately 1.5 (31 December 2021: approximately 1.5). The gearing ratio, which is calculated at borrowings divided by net asset value, was 28.8% (31 December 2021: 31.7%).

As at 30 June 2022, the total borrowings of GSFG Group amounted to approximately HK\$1,607.8 million, of which equivalents of approximately HK\$762.1 million and HK\$845.7 million were denominated in Hong Kong dollar and RMB, respectively.

The borrowings of GSFG Group as at 30 June 2022 included corporate bonds of approximately HK\$348.0 million (31 December 2021: approximately HK\$356.0 million), trust receipt loans of approximately HK\$12.9 million (31 December 2021: approximately HK\$14.8 million), bank loans of approximately HK\$1,032.6 million (31 December 2021: approximately HK\$1,193.9 million), and other loans of approximately HK\$214.3 million (31 December 2021: approximately HK\$441.6 million). As at 30 June 2022, GSFG Group's bank and other borrowings balance of approximately HK\$562.3 million was charged at fixed interest rate, and approximately HK\$1,045.5 million was charged at floating interest rates.

As at 30 June 2022, approximately HK\$1,607.8 million of the borrowings (representing 100% of the total borrowings) was due within one year.

**Charge of Assets**

The borrowings as at 30 June 2022 were secured by (i) guarantees provided by the Company, shareholder of the Company, certain of its subsidiaries and related parties; (ii) property, plant and equipment of approximately HK\$181.2 million; and (iii) investment properties of approximately HK\$1,781.3 million.

The borrowings as at 31 December 2021 were secured by (i) guarantees provided by the Company, shareholder of the Company, certain of its subsidiaries and related parties; (ii) property, plant and equipment of approximately HK\$184.3 million; (iii) investment properties of approximately HK\$1,885.0 million; (iv) financial assets at FVTPL of approximately HK\$121.0 million; (v) collateral of GSFG Group's margin clients of approximately HK\$816.8 million; and (vi) pledged bank deposit of approximately HK\$6.0 million.

**Funding and treasury policy**

For the six months ended 30 June 2022, GSFG Group primarily financed its operations and investing activities with its operating revenue, internal resources and bank and other borrowings. The Board believed that GSFG Group had sufficient resources to satisfy its capital expenditure and working capital requirement. GSFG Group regularly reviewed its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

**Capital and Other Commitments**

As at 30 June 2022, GSFG Group had contracted but not provided for capital and other commitments of approximately HK\$215.2 million and HK\$1,265.0 million (31 December 2021: approximately HK\$215.2 million and HK\$1,424.4 million) related to the investment in an associate and investment properties and property development expenditures, respectively.

**Currency Exposure and Management**

During the six months ended 30 June 2022, GSFG Group's receipts were mainly denominated in Hong Kong dollars, RMB and US dollars. GSFG Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of GSFG Group's automation and property investment and development segments were mainly conducted in Mainland China, most of GSFG 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 GSFG Group's profitability. GSFG 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 six months ended 30 June 2022, GSFG Group did not enter into any foreign exchange forward contract or any other financial instruments for hedging purposes.

**Future Plans for Capital Investment and Expected Source of Funding**

GSFG Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow, owners' equity and banking facilities. GSFG Group expects to have sufficient resources and banking facilities to meet its capital expenditure and working capital requirement.

As at 30 June 2022, GSFG Group did not have any future plans for material investment or capital assets.

**Fund Raising for Future Business Development**

When GSFG 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 2022, GSFG Group had 291 (31 December 2021: 331) full-time employees in Hong Kong and the PRC. For the six months ended 30 June 2022, GSFG Group provided periodic training to its employees in relation to different areas such as environmental, social and governance issues, intellectual property and work safety.

For the six months ended 30 June 2022, staff remuneration for the employees of GSFG Group included salary pay, discretionary bonus payment which depended on individual performance and profitability of GSFG Group, contributions to the social security insurance in the PRC and mandatory provident fund scheme in Hong Kong, medical insurance and other competitive fringe benefits. The remuneration policies for the employees of GSFG Group were determined according to the responsibility, competence, skills, experience and performance of the employees as well as market pay level. GSFG Group reviewed remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

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**

No significant event of GSFG Group after the reporting period and up to the date of the 2022 Interim Report.

**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\$940.3 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	57.1
(iii) corporate finance division	23.2
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	<u>300.0</u>
	<u><u>940.3</u></u>

Save for the HK\$59.1 million dedicated to the corporate finance division and expected to be utilised by 31 December 2022, all net proceeds of the Share Subscription had been used for the intended uses as set out in the Circular. The unutilized net proceeds was deposited with the banks in Hong Kong.

**CONTINGENT LIABILITIES**

As at 30 June 2022, GSFG Group had no material contingent liabilities (2021: nil).

**SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF  
SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE SIX MONTHS ENDED  
30 JUNE 2022**

During the six months ended 30 June 2022, GSFG Group had the following material acquisition and disposal of subsidiaries:

**(I) Deemed disposal of equity interest in Shenzhen B&K New Energy Co., Limited\***

On 14 January 2022, Shenzhen B&K New Energy Co., Limited\* (深圳邦凱新能源股份有限公司)(“**Shenzhen B&K**”), an indirect non-wholly owned subsidiary of the Company, entered into two separate capital injection agreements with Shenzhen Baokai Industries Company Limited\* (深圳寶開實業有限公司)(“**Baokai Industries**”), an indirect wholly-owned subsidiary of the Company, and Shenzhen Hongxinglaihua Hotel Company Limited\* (深圳鴻興萊華酒店有限公司)(“**Hongxinglaihua Hotel**”), an independent third party, respectively. Pursuant to the capital injection agreements, Baokai Industries and Hongxinglaihua Hotel shall subscribe for, and Shenzhen B&K shall issue 280,000,000 subscription shares and 500,000,000 subscription shares, respectively, at a price of RMB1 per subscription share, representing approximately 18.66% and 33.33% of all issued share capital of Shenzhen B&K as enlarged by the subscription shares.

Upon the completion date, the total registered capital of Shenzhen B&K will be increased from RMB720,000,000 (equivalent to HK\$864,000,000) to RMB1,500,000,000 (equivalent to HK\$1,800,000,000) and will be held as to approximately 30.91% by Baokai Industries and 37.56% by Hongxinglaihua Hotel. The equity interest held by the Company in Shenzhen B&K will be diluted from 75.50% to 54.91%. The changes in the ownership interest do not result in a loss of control over Shenzhen B&K. Shenzhen B&K will remain as a subsidiary of the Company. For further details on the deemed disposal of equity interest in Shenzhen B&K, please refer to the announcements of the Company dated 14 January 2022 and 20 January 2022.

**(II) Acquisition of shares in Golden Affluent Limited**

On 28 January 2022, Glory Sun Financial Holdings Limited (“**GSFHL**”), an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with Hua Tong Group Limited (華通集團有限公司) to acquire 14.73% of all issued shares in Golden Affluent Limited (金裕有限公司)(“**Golden Affluent**”), a non-wholly owned subsidiary of the Company, at the consideration of HK\$110,000,000. Upon the completion date, Golden Affluent will become a direct wholly-owned subsidiary of GSFHL and an indirect wholly-owned subsidiary of the Company. For further details on the acquisition of shares in Golden Affluent, please refer to the announcement of the Company dated 28 January 2022.

GSFG Group did not have any significant investment as at 30 June 2022.

**INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021 interim dividend: nil).

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

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2022.

Set forth below is the management discussion and analysis of the Target Company for each of the three years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022 (collectively, the “**Reporting Period**”) based on the financial information on the Target Company set out in Appendix II to this circular.

## BUSINESS REVIEW

The Target Company is a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of GSLG. The principal business of the Target Company is solely engaged in a development and construction project located at Longhu District, Shantou City, Guangdong Province, the PRC, with total land area of approximately 167,000 sq.m. and a gross floor area of approximately 951,000 sq.m, which is divided into three zones, and involve office and commercial buildings, residential units and loft apartments.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Target Company derived its revenue mainly from the sales of properties and rental income. The revenue analysis by segment is presented as follows:

	Year ended 31 December 2019		Year ended 31 December 2020		Year ended 31 December 2021		Nine months ended 30 September 2021		Nine months ended 30 September 2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Sales of properties	-	-	-	-	-	-	-	-	471,346	98
Rental income	-	-	1,314	100	10,002	100	6,633	100	10,551	2
	<u>-</u>	<u>-</u>	<u>1,314</u>	<u>100</u>	<u>10,002</u>	<u>100</u>	<u>6,633</u>	<u>100</u>	<u>481,897</u>	<u>100</u>

### Sales of Properties

For the years ended 31 December 2019, 2020 and 2021, no revenue was derived from the sale of properties segment mainly due to the majority of property delivery procedures after the end of December 2021.

The revenue from the sales of properties segment increased by approximately HK\$471.3 million or 100% from nil for the nine months ended 30 September 2021 to approximately HK\$471.3 million for the nine months ended 30 September 2022 which was mainly attributable to the majority of property delivery procedures after the end of December 2021.

### Rental income

The revenue from the rental income segment increased by approximately HK\$1.3 million or 100% for the year ended 31 December 2020 as compared to the year ended 31 December 2019 which was mainly attributable to the properties were rented out commencing from 2020.

The revenue from the rental income segment increased by approximately HK\$8.7 million or 661.2% for the year ended 31 December 2021 from approximately HK\$1.3 million for the year ended 31 December 2020 to HK\$10 million for the year ended 31 December 2021 which was mainly attributable to the majority of properties were rented out during 2021.

The revenue from the rental income segment increased by approximately HK\$3.9 million or 59.1% for the nine months ended 30 September 2022 from approximately HK\$6.6 million for the nine months ended 30 September 2021 to HK\$10.5 million for the nine months ended 30 September 2022 which was mainly attributable to the majority of properties were rented out after June 2021.

### Gross Profit and Margin

During the Reporting Period, the gross profit of each segment of revenue are as follows:

	Year ended 31 December 2019		Year ended 31 December 2020		Year ended 31 December 2021		Nine months ended 30 September 2021		Nine months ended 30 September 2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Sales of properties	-	-	-	-	-	-	-	-	31,454	76
Rental income	-	-	1,255	100	9,621	100	6,306	100	10,145	24
	<u>-</u>	<u>-</u>	<u>1,255</u>	<u>100</u>	<u>9,621</u>	<u>100</u>	<u>6,306</u>	<u>100</u>	<u>41,599</u>	<u>100</u>

The gross profit margin for the year ended 31 December 2019, 2020, 2021 and 30 September 2022 was nil, 95.5%, 96.2%, and 8.6%, respectively. The decrease in nine months ended 30 September 2022 were mainly due to the sale of properties with a lower gross profit margin of 6%.

### Other Income

During the Reporting Period, the Target Company received other income as follows:

	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Nine months ended 30 September 2021 HK\$'000 (unaudited)	Nine months ended 30 September 2022 HK\$'000
Interest income from bank balances	141	300	530	411	169
Government grants	-	-	181	166	84
Management fee income from fellow subsidiaries	3,527	3,477	3,735	2,792	2,782
Others	<u>38</u>	<u>102</u>	<u>726</u>	<u>492</u>	<u>244</u>
	<u>3,706</u>	<u>3,879</u>	<u>5,172</u>	<u>3,861</u>	<u>3,279</u>

Management fee income received from fellow subsidiaries refer to management fee income received from two fellow subsidiaries; the nature of the management fee income is to support the operation of the fellow subsidiaries.

### Selling Expenses

For the year ended 31 December 2019, 2020, 2021 and nine months ended 30 September 2022, the Target Company incurred selling expenses of approximately HK\$8.1 million, HK\$6.8 million, HK\$12.9 million and HK\$25.8 million, respectively.

	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Nine months ended 30 September 2021 HK\$'000 (unaudited)	Nine months ended 30 September 2022 HK\$'000
Advertising and Promotion	968	939	699	94	12,876
Commission	–	–	–	–	4,948
Depreciation	1,265	1,263	6,354	4,034	4,997
Salaries	2,974	2,896	3,630	2,262	1,351
Others	2,913	1,697	2,224	1,803	1,577
	<u>8,120</u>	<u>6,795</u>	<u>12,907</u>	<u>8,193</u>	<u>25,749</u>

For the period ended 30 September 2022, the selling expenses increased by 214.2% to approximately HK\$25.7 million (30 September 2021: HK\$8.2 million). The increase in selling expenses was mainly due to the increase in advertising and promotion expenses of approximately HK\$12.8 million and commission of approximately HK\$4.9 million as the Target Company began to sell properties during the period.

For the year ended 31 December 2021, the selling expenses increased by 90.9% to approximately HK\$12.9 million (31 December 2020: HK\$6.8 million). The increase in selling expenses was mainly due to the increase in depreciation of approximately HK\$6.4 million which was mainly due to the addition of leasehold improvement of approximately HK\$8.2 million near the year end date in 2020.

**Administrative Expenses**

For the year ended 31 December 2019, 2020, 2021 and nine months ended 30 September 2022, the Target Company incurred administrative expenses of approximately HK\$10.1 million, HK\$7.6 million, HK\$10.4 million and HK\$9.1 million, respectively.

	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Nine months ended 30 September 2021 HK\$'000 (unaudited)	Nine months ended 30 September 2022 HK\$'000
Other taxes	4,724	2,463	4,209	1,546	4,897
Salaries	4,393	4,265	4,801	3,217	2,592
Others	1,011	876	1,358	1,024	1,581
	<u>10,128</u>	<u>7,604</u>	<u>10,368</u>	<u>5,787</u>	<u>9,070</u>

**Finance Costs**

During the Reporting Period, the Target Company incurred finance costs as follow:

	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Nine months ended 30 September 2021 HK\$'000 (unaudited)	Nine months ended 30 September 2022 HK\$'000
Interest on other borrowings	25,828	1,271	528	308	–
Interest on loans from an intermediate holding company	30,169	84,084	152,506	113,033	–
Interest on financing component of contract liabilities	<u>1,306</u>	<u>8,007</u>	<u>18,064</u>	<u>14,180</u>	<u>13,881</u>
Total borrowing cost	57,303	93,362	171,098	127,521	13,881
Less: Borrowing costs capitalised into properties under development	<u>(55,997)</u>	<u>(85,355)</u>	<u>(153,034)</u>	<u>(113,341)</u>	<u>–</u>
	<u>1,306</u>	<u>8,007</u>	<u>18,064</u>	<u>14,180</u>	<u>13,881</u>

During the year ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022, the weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 13.89%, 11.93%, 11.93% and nil (nine months ended 30 September 2021: 11.97% (unaudited)), respectively.

**Income Tax Expense**

During the year ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022, the Target Company incurred income tax expense of approximately HK\$0.5 million, HK\$34.3 million, HK\$14.4 million and HK\$1.7 million, respectively.

**(Loss)/profit Attributable to Owners of the Target Company**

For the year ended 31 December 2019, 2020 and 2021 and period ended 30 September 2021 and 2022, the Target Company recorded a loss attributable to the Target Company of approximately HK\$14.5 million, a profit attributable to the Target Company of approximately HK\$85.7 million, HK\$16.5 million and a loss attributable to the Target Company of approximately HK\$1.9 million and HK\$37.7 million, respectively.

**REVIEW OF OPERATIONS****Inventories**

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2021 <i>HK\$'000</i>	Nine months ended 30 September 2022 <i>HK\$'000</i>
Properties under development	1,252,383	1,805,699	1,317,333	1,318,968
Properties held for sale	<u>–</u>	<u>–</u>	<u>1,208,268</u>	<u>759,216</u>
	<u>1,252,383</u>	<u>1,805,699</u>	<u>2,525,601</u>	<u>2,078,184</u>

At 31 December 2019, 2020 and 2021 and 30 September 2022, the amount of properties under development expected to be recovered in more than one year was approximately HK\$1,252 million, HK\$1,806 million, HK\$1,317 million and HK\$1,319 million, respectively and properties held for sale amounting to nil, nil, approximately HK\$1,041 million and HK\$689 million, respectively are expected to be recovered in more than one year.

**Investment Properties**

The fair value of the Target Company's investment properties at 31 December 2019, 2020 and 2021 have been carried out by Valtech Valuation Advisory Limited (“**Valtech**”) while the fair value of investment properties at 30 September 2022 have been carried out by AP Appraisal Limited (“**AP Appraisal**”). Valtech and AP Appraisal are independent professional valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

The valuation for completed properties was derived using the direct comparison approach based on recent market prices without any significant adjustment being made to the market observable data.

The valuation for investment properties under development was derived using the direct comparison approach by making reference to comparable sales evidence as available in the property market. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

There were no changes to the valuation techniques during the Reporting Period.

**Trade and other receivables**

As at 31 December 2019, 2020, 2021 and 30 September 2022, the trade and other receivables of the Target Company amounted to approximately HK\$46.3 million, HK\$90.6 million, HK\$350.4 million and HK\$276.6 million, respectively.

**Bank balances and cash**

As at 31 December 2019, 2020, 2021 and 30 September 2022, the cash and bank balances of the Target Company amounted to approximately HK\$5.2 million, HK\$42.4 million, HK\$22.3 million and HK\$17.8 million respectively and all the cash and bank balances of the Target Company were denominated in RMB.

**FINANCIAL RESOURCES REVIEW****Liquidity and Financial Resources**

By adopting a prudent financial management approach, the Target Company continued to maintain a healthy financial position. As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company had cash and cash equivalents of approximately HK\$5.2 million, HK\$42.3 million, HK\$22.3 million and HK\$17.8 million, respectively. The working capital represented by net current assets amounted to approximately HK\$376.7 million, HK\$687.5 million, HK\$505.2 million and HK\$1,351 million, respectively. The current ratio was approximately 1.4, 1.5, 1.2 and 1.9, respectively. The gearing ratio, which is calculated at borrowings divided by net asset value, was 33.4%, 55.9%, 76.5% and nil, respectively.

The borrowings of the Target Company as at 31 December 2019, 2020, 2021 and 30 September 2022 included interest-bearing borrowings of approximately HK\$505.0 million, HK\$944.7 million, HK\$1,356.3 million and nil, respectively. All interest-bearing borrowings were unsecured and denominated in RMB.

Amounts due to the immediate holding company, intermediate holding company and a fellow subsidiary as at 31 December 2019, 2020, 2021 and 30 September 2022 were unsecured, interest-free and repayable on demand.

As at 31 December 2019, the maturity profile of the borrowings was approximately HK\$11.1 million (representing approximately 2.2% of the total borrowings) due within one year, approximately HK\$11.1 million (representing approximately 2.2% of the total borrowings) due after one year but not exceeding two years, and approximately HK\$482.7 million (representing 95.6% of the total borrowings) due after two years but not exceeding five years.

As at 31 December 2020, the maturity profile of the borrowings was approximately HK\$499.2 million (representing approximately 52.8% of the total borrowings) due after one year but not exceeding two years, and approximately HK\$445.5 million (representing 47.2% of the total borrowings) due after two years but not exceeding five years.

As at 31 December 2021, the maturity profile of the borrowings was approximately HK\$463.9 million (representing approximately 34.2% of the total borrowings) due within one year, approximately HK\$463.3 million (representing approximately 34.2% of the total borrowings) due after one year but not exceeding two years, and approximately HK\$429.1 million (representing 31.6% of the total borrowings) due after two years but not exceeding five years.

The Target Company is exposed to interest rate risk which arises primarily from bank balances.

As at 31 December 2019, the interest-bearing borrowings balance of the Target Company of approximately HK\$505 million was charged at fixed interest rate.

As at 31 December 2020, the interest-bearing borrowings balance of the Target Company of approximately HK\$945 million was charged at fixed interest rate.

As at 31 December 2021, the Target Company's interest-bearing borrowings balance of the Target Company of approximately HK\$1,356 million was charged at fixed interest rate.

### **Charge of Assets**

The borrowings as at 31 December 2019, 2020 and 2021 and 30 September 2022 were secured by (i) guarantees provided by the Target Company, shareholder of the Target Company, certain of its subsidiaries and related parties; (ii) properties under development amounting to approximately HK\$101.0 million, HK\$394.3 million, nil and nil, respectively; and (iii) properties held for sale amounting to nil, nil, approximately HK\$1,208.3 million and nil, respectively.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the carrying amount of properties under development amounted to approximately HK\$101.0 million, HK\$394.3 million, nil and nil, respectively and properties held for sale amounted to nil, nil, approximately HK\$1,208.3 million and nil respectively were pledged as security to a financial institution located in the PRC for interest-bearing borrowings granted to an intermediate holding company.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, investment properties amounted to approximately HK\$1,732.9 million, HK\$2,086.2 million, HK\$1,841.2 million and HK\$852.8 million, respectively were pledged as security to a financial institution located in the PRC for interest-bearing borrowings granted to an intermediate holding company.

### **Funding and treasury policy**

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the Target Company primarily financed its operations and investing activities with its operating revenue, internal resources and bank and other borrowings. The directors of the Target Company believed that the Target Company had sufficient resources to satisfy its capital expenditure and working capital requirement. The Target Company regularly reviewed its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

**Capital and Other Commitments**

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company had contracted but not provided for capital and other commitments of approximately HK\$4,225.1 million, HK\$5,065.9 million, HK\$4,220.8 million and HK\$3,843.5 million, respectively.

**Currency Exposure and Management**

During the Reporting Period, the Target Company's receipts were mainly denominated in Hong Kong dollars, RMB and US dollars. The Target Company's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of the Target Company's automation and property investment and development segments were mainly conducted in the mainland China, most of the Target Company's labour costs and manufacturing overheads were settled in RMB. As such, fluctuation of the RMB exchange rate will have an impact on the Target Company's profitability. The Target Company will closely monitor movements of RMB and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the Reporting Period, the Target Company did not enter into any foreign exchange forward contract or any other financial instruments for hedging purpose.

**Contingent Liabilities**

The Target Company has arranged bank financing for certain purchasers of the Target Company's property units and provided guarantees to secure obligations of such purchasers for repayments. As at 31 December 2019, 2020 and 2021 and 30 September 2022, guarantees amounting to approximately HK\$8.6 million, HK\$8.4 million, HK\$19.4 million and HK\$44.7 million respectively were given to banks with respect to loans procured by purchasers of the Target Company's properties. Such guarantees would terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers; or (ii) the full repayment of mortgage loan by the purchasers of properties.

Save as aforesaid or otherwise disclosed herein, at the close of business on 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company had neither any guarantee nor any other contingent liabilities in existence.

**Significant Investments, Material Acquisitions and Disposals**

The Target Company did not have any significant investments, material acquisition and disposal of subsidiaries and associated companies during the year/period ended 31 December 2019, 2020 and 2021 and 30 September 2022.

**Segment Information**

The Target Company had a single operating and reportable segment throughout the Reporting Period, as the Target Company engaged in the business of property development and property investment.

**Employees and Remuneration Policy**

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company had 107, 110, 93 and 89 full-time employees respectively in Hong Kong and the PRC. For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the Target Company provided periodic training to its employees in relation to different areas such as environmental, social and governance issues, intellectual property and work safety.

For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, staff remuneration for the employees of the Target Company included salary pay, discretionary bonus payment which depended on individual performance and profitability of the Target Company, contributions to the social security insurance in the PRC and mandatory provident fund scheme in Hong Kong, medical insurance and other competitive fringe benefits. The remuneration policies for the employees of the Target Company were determined according to the responsibility, competence, skills, experience and performance of the employees as well as market pay level. The Target Company reviewed remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees.

**Future plans for material investments or capital assets**

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Target Company did not have any future plans for material investments or capital assets.

**Events after the Reporting Period**

No significant event of the Target Company occurred after the Reporting Period and up to the date of this circular.

**Purchase, sale or redemption of listed securities of the Target Company**

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

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Our Ref: AP220703/1282/GSFGL/Rpt(i)

27 February 2023

**Glory Sun Financial Group Limited**

Unit 1908, 19/F.  
Tower Two, Lippo Centre  
No. 89 Queensway  
Admiralty  
Hong Kong

Dear Sir or Madam,

**RE: Business Valuation of fair value of 100% equity interest in 汕頭市泰盛科技有限公司**

We, AP Appraisal Limited (“**APAL**”), refer to the instructions from Glory Sun Financial Group Limited (the “**Instructing Party**”) to conduct a valuation (the “**Valuation**”) of the fair value of 100% equity interests (the “**Equity Interests**”) of 汕頭市泰盛科技有限公司 (the “**Company**”) as of 30 September 2022 (the “**Valuation Date**”).

**PURPOSE OF VALUATION**

For the purpose of preparing the valuation of the Equity Interests of the Company for circular purpose on the Stock Exchange of Hong Kong (the “**HKEx**”) only, we observe and follow the definitions and standards laid down by the Hong Kong Financial Reporting Standards, the RICS Valuation Standards, and the International Valuation Standards.

**PREMISE OF VALUATION & BASIS OF VALUATION**

Our valuation is based on going concern premise and conducted on a fair value basis. Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

Our valuation has been prepared in accordance with the International Valuation Standards on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

For the investment properties and property inventories held by the Company, our valuation is prepared in accordance with the International Valuation Standards published by International Valuation Standards Council, the RICS Valuation – Professional Standard issued by the Royal Institution of Chartered Surveyors, and the Hong Kong Stock Exchange Listing Rule Chapter 5 and Practice Note 12. The investment properties and property inventories are our opinion of Market Value which is defined by the International Valuation Standards to mean “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

#### **BACKGROUND OF THE COMPANY AND THE DEVELOPMENT PROJECT**

The Company is established on 1 November 2016 in the People’s Republic of China (the “**PRC**”) with limited liability and an indirect non-wholly owned subsidiary of Glory Sun Land Group Limited (“**GSLG**”), a listed company of the Hong Kong Stock Exchange (Stock Code: 299 HK). The Company is principally engaged in real estate and property investment, and its main operation is conducting a development and construction project (the “**Development Project**”) located at Longhu District, Shau Tou City, Guangdong Province, the PRC, with a total sit area of approximately 167,000 square metres (“**sq.m.**”), and a gross floor area of approximately 951,000 sq.m. The Development Project is divided in 3 zones, which is compiled with office and commercial buildings, residential units and loft apartment.

As of the Valuation Date, the Company holds the land use right of the following investment properties and property inventories (the “**Properties**”) under the Development Project:

- (a) A plot of land located at plot F02-10, the South Zone of the Development Project (the “**South Zone**”) with gross floor area of approximately 212,000 sq.m., with the right to be expired in January 2057;
- (b) A plot of land located at plot F02-08, the Middle Zone of the Development Project (the “**Middle Zone**”) with gross floor area of approximately 232,000 sq.m., with the right to be expired in January 2057; and
- (c) A plot of land located at plot F01-11, the North Zone of the Development Project (the “**North Zone**”) with gross floor area of approximately 507,000 sq.m., with the right to be expired in January 2057;

**SOURCES OF INFORMATION**

Our investigation covers the discussion with the Instructing Party and the Company's representatives, collecting the information of the Company's history, operations and prospects of the business. We also take the industry trend and relevant law requirements into consideration. We requested detailed information about the Company's position in order to conduct a detailed review and make an impartial and independent valuation of the Company's position/value.

Sources of information utilized in our analysis included but not limited to the following:

- Consolidated Management Account of the Company as of 31 December 2019 to 2021 and 30 September 2022;
- Breakdown of assets and liabilities of the Company as of 30 September 2022; and
- Land and Property certificates of the Properties the Company currently holds as of the Valuation Date.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Instructing Party, the Company or his agent(s) are prepared in reasonably care. Besides, we also assume that the financial and other information provided to us by the Instructing Party and others is accurate and complete, and we have relied upon this information in performing our assessment.

The factors also considered in this valuation included, but were not limited to, the following:

- The nature and history of the Company;
- The financial conditions of the Company;
- The economic condition and the industry outlook in general; and
- The specific economic environment and competition for the Company.

**VALUATION METHODOLOGIES**

There are three generally accepted valuation approaches in business valuation.

**Asset Approach**

The asset approach determines a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

**Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

**Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

**Selection of Valuation Methodology**

We considered that the income approach is not an adequate approach for the valuation because this involves a lot of assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured, and there is no sufficient information to allow detailed planning for reliable positive profit or cash-flow projections. We also considered that the market approach is not applicable for the valuation, as there are insufficient comparable market transactions available for the derivation of the fair value of the Company.

Thus, we determined that the asset approach was the most appropriate valuation approach to value the 100% equity interests of the Company. The adjusted net assets value method under the asset approach is applied in the valuation.

**VALUATION OF ASSETS AND LIABILITIES**

As part of our analysis, we are furnished with information prepared by the Instructing Party and the Company including the unaudited financial statements and related information regarding the Company's assets and liabilities for the financial reporting purposes. We have also assessed the value of the significant items of the unaudited net asset value of the Company, as provided by the Instructing Party, as of the Valuation Date, with details as follows:

**Property, plant and equipment**

For the valuation of property, plant and equipment, we have adopted the book value of the property, plant and equipment in the record as its fair value as of the Valuation Date. We have assumed that no material errors in the accounting record of the Company as of the Valuation Date.

**Investment properties**

The investment properties at 寶能時代灣(南區) currently held for Company's use are well-constructed and all cost are paid. Therefore the Direct Comparison Method under the Market Approach is adopted to evaluate the market value of the Properties as of the Valuation Date.

The market parameters and conclusion of the value of the investment properties are presented in two independent property valuation reports, with Valuation Date as of 30 September 2022 (the “**First Property Valuation Report**” or “**APPENDIX VII**”) and another report with Valuation Date as of 30 November 2022 (the “**Second Property Valuation Report**” or “**APPENDIX VIII**”). The adopted market value in this section is based on the value conclusion from Appendix VII.

The investment properties at 寶能時代灣(中區) and 寶能時代灣(北區) are currently under construction, and therefore the Residual Method is adopted to evaluate the market value as of the Valuation Date. The market parameters and conclusion of the value of the investment properties are presented in the the First Property Valuation Report.

**Property Inventories**

The property inventories at 寶能時代灣(南區) available for sale are well-constructed and all cost are fully paid. Therefore the Direct Comparison Method under the Market Approach is adopted to evaluate the market value of the Properties as of the Valuation Date. The market parameters and conclusion of the value of the investment properties are presented in the First Property Valuation Report.

The property inventories at 寶能時代灣(北區) are currently under construction, and therefore the Residual Method is adopted to evaluate the market value of the property inventories as of the Valuation Date. The market parameters and conclusion of the value of the property inventories are presented in the First Property Valuation Report.

**Trade and other receivables**

Based on the discussion with the management of the Company, the trade & other receivables should be settled either on demand or in short period of time and no material timing difference was noted. However, we have recalculated the fair value of the receivables to see if there is any expected credit losses as of the Valuation Date for prudence, given some of the receivables having a large amount and may possess certain credit risks. Therefore, we have adopted the fair value of these current assets after using the expected credit losses model in our valuation.

**Cash and bank balances**

For the valuation of cash and bank balances, we have adopted the book value of the cash and bank balances in the record as its fair value as of the Valuation Date. We have assumed that no material errors in the accounting record of the Company as of the Valuation Date.

**Trade payables & other payables**

Based on the discussion with the management of the Company, all payables should be settled either on demand or in short period of time and no material timing difference was noted. Therefore, we have adopted the book value of these current liabilities in our valuation. In addition, we have assumed that no material errors in the accounting record of the Company as of the Valuation Date.

**Inter-company balances due to companies in the Company**

Based on the discussion with the management of the Company, such balances is regarded as nil value as of the Valuation Date, and would be assigned to the potential purchaser upon the disposal. We have assumed that no material errors in the accounting record of the Company as of the Valuation Date.

**Deferred tax liabilities**

For the valuation of deferred tax liabilities, we have adopted the book value of the deferred tax liabilities in the record as its fair value as of the Valuation Date. We have assumed that no material errors in the accounting record of the Company as of the Valuation Date.

The adjusted net asset values and the fair value of the Company as of the Valuation Date are calculated as follows:

Period ended	Consolidated	Fair Value	Fair Value
	30/9/2022	Adjustment	30/9/2022
Currency	Book Value	+/-	Fair Value
	100.00%	100.00%	100.00%
	HKD	HKD	HKD
<b>Non-current Assets</b>			
Investment properties	2,061,590,000	(58,590,000)	2,003,000,000
Property, plant and equipment	<u>10,482,000</u>	<u>–</u>	<u>10,482,000</u>
<b>Total Non-current Assets</b>	<b>2,072,072,000</b>	<b>(58,590,000)</b>	<b>2,013,482,000</b>
<b>Current Assets</b>			
Bank balances and cash	17,787,000	–	17,787,000
Inventories	2,078,184,000	351,816,000	2,430,000,000
Trade and other receivables	276,727,735	(493,808)	276,233,928
Amounts due from the immediate holding companies	366,758,000	–	366,758,000
Amounts due from fellow subsidiaries	108,120,000	–	108,120,000
Prepayment for land appreciation tax (“LAT”)	39,415,000	–	39,415,000
Restricted bank deposits	<u>9,828,000</u>	<u>–</u>	<u>9,828,000</u>
<b>Total Current Assets</b>	<b><u>2,896,819,735</u></b>	<b><u>351,816,000</u></b>	<b><u>3,248,141,928</u></b>
<b>Total Assets</b>	<b>4,968,891,735</b>	<b>292,732,192</b>	<b>5,477,623,928</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	<u>(153,216,000)</u>	<u>–</u>	<u>(153,216,000)</u>
<b>Total Non-current Liabilities</b>	<b>(153,216,000)</b>	<b>–</b>	<b>(153,216,000)</b>

Period ended	Consolidated	Fair Value	Fair Value
	30/9/2022	Adjustment	30/9/2022
	Book Value	+/-	Fair Value
	100.00%	100.00%	100.00%
Currency	HKD	HKD	HKD
<b>Current Liabilities</b>			
Trade payables and other payables	(997,559,000)	–	(997,559,000)
Contract liabilities	(546,755,000)	–	(546,755,000)
Amount due to the immediate holding company	(1,139,000)	–	(1,139,000)
Amount due to a fellow subsidiary	(75,000)	–	(75,000)
<b>Total Current Liabilities</b>	<b><u>(1,545,528,000)</u></b>	<b><u>–</u></b>	<b><u>(1,545,528,000)</u></b>
<b>Total Liabilities</b>	<b><u>(1,698,744,000)</u></b>	<b><u>–</u></b>	<b><u>(1,698,744,000)</u></b>
Adjusted Net Asset Value	<u>3,270,147,735</u>	<u>(101,267,808)</u>	<u>3,562,879,928</u>
<b>Fair Value of equity interest at</b>	<b>100%</b>		<b>3,562,879,928</b>
Fair value for equity interest (rounded)	100%	<b>HKD</b>	<b>3,563,000,000</b>
		HKD/CNY	0.9036
		<b>RMB</b>	<b>3,220,000,000</b>

**GENERAL VALUATION ASSUMPTIONS**

Due to the changing environment in which the Company are in operation, a number of general valuation assumptions have to be established in order to sufficiently support our concluded opinion of values of the assets and liabilities held by the Company. The major general assumptions adopted in our valuations are:

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the jurisdiction where the Company currently operate(s) or will operate which will materially affect the revenues attributable to the Company, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- For the Company to continue as a going concern, the Company will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Company operate(s) will not deviate significantly from the economic forecasts in general;
- The unaudited financial statements of the Company as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Company as of the respective balance sheet dates;
- Key management, competent personnel, and technical staff will all be retained to support ongoing operations of the Company;
- There will be no material changes in the business strategy of the Company and its operating structure;
- Interest rates and exchange rates in the localities for the operation of the Company will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- The major shareholder of the Company will support and provided interest-free financing for the current and future business of the Company (including but not limited to working capital needs).

**GENERAL SERVICE CONDITIONS**

The service(s) provided by APAL will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy, of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years.

This report and valuation shall be used only in its entirety and no part shall be used without making reference to the whole report. Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. Except for financial reporting and auditing purposes, no reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

The valuation may not be used in conjunction with any other valuation or study. The value conclusion(s) stated in this valuation is based on the program of utilization described in the report, and may not be separated into parts. No change of any item in any of the valuation shall be made by anyone other than APAL. We shall have no responsibility for any such unauthorized change.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of APAL, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the 3 times of the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

Any decision to purchase, sell or transfer any interest in the Company shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted.

The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

In all matters that may be potentially challenged by a Court or others, we do not take any responsibility for the degree of reasonableness of contrary positions that others may choose to take, nor for the costs or fees that may be incurred in the defense of our recommendations against such challenge(s). We will, however, retain our supporting work papers for your matter(s), and will be available to assist in active defense of our professional positions taken, at our then current rates, plus direct actual expenses and according to our then standard professional agreement.

### **LIMITING CONDITIONS**

The primary assumptions and limiting conditions pertaining to the value estimate conclusion(s) stated in this report are summarized below. Other assumptions are cited elsewhere in this report.

- Unless otherwise stated in this report, the valuation of the business has not considered or incorporated the potential economic gain or loss resulting from contingent assets, liabilities or events existing as of the Valuation Date.
- The management of the Company are assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the business management can have a direct effect on the viability and value of the business/asset being assessed.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business because of future country, provincial or local legislations/regulations, including any environmental or ecological matters or interpretations thereof.
- All facts and data set forth in our report are true and accurate to the best of our knowledge and belief. No investigation of legal fees or title of the business has been made, and the owner's claim to the business has been assumed valid. No consideration has been given to liens or encumbrances that may be against the business except as specifically stated (if any) in the auditors' report.

- During the course of the valuation, we have considered information provided by the Company and other third parties. We believe these sources to be reliable, but no further responsibility is assumed for their accuracy. We have had verbal conversations with the current management of the Company concerning the past, present, and prospective operating results of the Company. We assume that there are no hidden or unexpected conditions associated with the businesses that might adversely affect the reported values.
- This valuation is based upon data, conditions, hypotheses and assumption stated herein and as presented to us by the Company and other third parties, upon which we relied.
- This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the Valuation Date.

#### CONCLUSION OF VALUE

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Instructing Party and/or APAL.

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that the fair values of the 100% Equity interests of 汕頭市泰盛科技有限公司 was reasonably stated as follows:

	<b>Equity interest</b>	<b>Fair Value</b>	<b>Fair Value</b>
	<i>%</i>	<b>(rounded)</b>	<b>(rounded)</b>
		<i>HKD million</i>	<i>RMB million</i>
汕頭市泰盛科技有限公司	100	3,563	3,220

We hereby certify that we have neither present nor prospective interests in the Company, the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

**Paul Hung** MRICS ASA

*Director – Valuation & Advisory Services*

*Note: Mr. Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region.*

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Our Ref: AP220703/1282/GSFGL/Rpt(ii)

27 February 2023

**Glory Sun Financial Group Limited**

Unit 1908, 19/F.  
Tower Two, Lippo Centre  
No. 89 Queensway  
Admiralty  
Hong Kong

Dear Sir or Madam,

**RE: Property Valuation of Properties located at Longhu District, Shau Tou City, Guangdong Province, the People's Republic of China**

We, AP Appraisal Limited, refer to the instructions from Glory Sun Financial Group Limited (the “**Instructing Party**”) to conduct a valuation for captioned Properties (the “**Properties**”) located at Longhu District, Shau Tou City, Guangdong Province, the Peoples’ Republic of China (the “**PRC**”). Details of which are set out in the attached valuation summaries. We confirm that we have carried our inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as of 30 September 2022 (the “**Valuation Date**”) for circular purpose of the Hong Kong Stock Exchange (“**HKEx Circular**”) of the Instructing Party.

The properties are under a development and construction project in 寶能時代灣 (the “**Development Project**”) of 汕頭市泰盛科技有限公司 (the “**Company**” or “**TaiSheng**”) located at Longhu District (“**Longhu**”), Shau Tou City, Guangdong Province, the PRC, with a total sit area of approximately 167,000 square metres (“**sq.m.**”), and a gross floor area of approximately 951,000 sq.m. The Development Project is divided in 3 zones, which is compiled with office, shops, residential, service apartment and car park.

As of the Valuation Date, the Company holds the land use right of the following investment properties and property inventories under the Development Project:

- (a) A plot of land located at plot F02-10, the South Zone of the Development Project (the “**South Zone**”) with gross floor area of approximately 212,000 sq.m., with the right to be expired in January 2057;

- (b) A plot of land located at plot F02-08, the Middle Zone of the Development Project (the “**Middle Zone**”) with gross floor area of approximately 232,000 sq.m., with the right to be expired in January 2057; and
- (c) A plot of land located at plot F01-11, the North Zone of the Development Project (the “**North Zone**”) with gross floor area of approximately 507,000 sq.m., with the right to be expired in January 2057;

## **VALUATION METHODOLOGY**

According to the International Valuation Standard, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach. Therefore, market approach is adopted in the valuation as we found reliable, verifiable and relevant market information is available.

### **The Direct Comparison Method**

The Investment Properties and the Property Inventories at South Zone are well-constructed and all cost are fully paid. Therefore, the Direct Comparison Method under the Market Approach is adopted to evaluate the market value as of the Valuation Date. The Direct Comparison Method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value. The Comparable Transactions Method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. Physical condition, location and economic characteristics are important criteria to be analysed when comparing to the Properties.

### **The Residual Method**

The Investment Properties at Middle Zone and North Zone, and the Property Inventories at North Zone are currently under construction, and therefore the Residual Method is adopted to evaluate the market value as of the Valuation Date. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer’s profit from its estimated completed development value.

The valuation arrived at has not been determined by reference to comparable market transactions which is the most reliable method for valuing property assets and the most commonly used method for valuing properties in Hong Kong. In contrast, because of the lack of comparable market transactions in the locality in which the subject property is situated this valuation has used the residual method which is generally acknowledged as being a less reliable valuation method. The residual method is essentially a means of valuing land by reference to its development

potential by deducting costs and developer's profit from its estimated completed development value. It relies upon a series of assumptions made by the valuer which produce an arithmetical calculation of the expected current sale value as of 30 September 2022 of a property being developed or held for development or redevelopment. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised its professional judgment in arriving at the value, investors are urged to consider the nature of such assumptions which are disclosed in the valuation report carefully and should exercise caution in interpreting the valuation report.

### **GENERAL ASSUMPTIONS**

We have relied to a considerable extent on information given by the Instructing Party, in particular, but not limited to, planning approvals, development schemes and schedule, incurred and outstanding development costs, statutory notices, easements, tenancies, floor areas, gross floor areas, site area, construction cost, expected building completion date, etc. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party, which is material to the valuation. We were also advised by the Instructing Party that no material facts have been omitted from the information provided to us. We do not commission site surveys and a site survey has not been provided to us.

We had committed a site visit in July 2022 by Mr. Baolong Zhao, a manager of our firm. We have assumed there are no encroachments by or on the property, and the Instructing Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

In the course of our valuation for the investment properties and property inventories in the PRC, we have been provided with extracts from title documents relating to such property interests. However, we have relied considerably on the information given by the Company's PRC legal advisor, 廣東泰諾律師事務所, concerning the validity of the Company's title to the property interests located in the PRC, and the opinion that the current use of the property is in line with the permitted use set out in the land use certificate. All legal documents provided by the Company have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us.

We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

We have assumed that the site is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We assume the site is free of subsoil asbestos and have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials on site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

The values derived for the properties and inventories are the exiting/current market value as of the valuation date. The Demolition Compensation Agreement and the termination of the Demolition Compensation Agreement have not been considered during the calculation of the market value of the report.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the investment properties and property inventories nor for any expenses, government rent or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the investment properties and property inventories are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

The monetary amounts are stated in Hong Kong Dollars (HKD). We enclose herewith our valuation summaries.

We hereby certify that we have neither present nor prospective interests in the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

**Paul Hung** MRICS ASA

*Director – Valuation & Advisory Services*

*Encl.*

*Note: Mr. Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region.*

## SUMMARY OF VALUES

No.	Property	Market Value as of 30 September 2022 <i>HKD million</i>
1.	深圳寶能時代灣(南區) (the “ <b>South Zone</b> ”) – Investment properties (located at 汕頭東海岸新城津片區)	879
2.	深圳寶能時代灣(南區) (the “ <b>South Zone</b> ”) – Property Inventories (located at 汕頭東海岸新城津片區)	1,034
3.	深圳寶能時代灣(中區) (the “ <b>Middle Zone</b> ”) – Investment properties (located at 汕頭東海岸新城津片區)	829
4.	深圳寶能時代灣(北區) – Investment properties (located at 汕頭東海岸新城津片區) (the “ <b>North Zone</b> ”)	295
5.	深圳寶能時代灣(北區) – Property Inventories (located at 汕頭東海岸新城津片區) (the “ <b>North Zone</b> ”)	1,396
	<b>Total</b>	<u><u>4,433</u></u>

## SUMMARY OF THE INVESTMENT PROPERTIES &amp; PROPERTY INVENTORIES

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 September 2022
1.	深圳寶能時代灣(南區)(the “South Zone”) – Investment properties (located at 汕頭東海岸新城津片區)	Completed in July 2021, the property is erected on a land parcel (Land lot No. F02-10) with site area of 50,897.6 sq.m. The total Gross Floor Area (“GFA”) is 68,102.2 sq.m., which is comprised from 43,152 sq.m. for office and 5,663 sq.m. for shops, and 19,287.20 sq.m. for car parks	As of the Valuation Date, the investment property is under lease for commercial use.	Investment properties <b>HKD879,000,000</b> (HONG KONG DOLLARS EIGHT HUNDRED AND SEVENTY-NINE MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificate 粵(2017)汕頭市不動產權第0004853號 (Yue (2017) Shantou City real estate Certificate No. 0004853), the Company is the registered owner of the investment properties and property inventories. The land use rights of the South Zone with a total site area of approximately 50,897.9 sq.m. have been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, there is no collateral agreement in relation to the South Zone.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB11,000/sq.m. for office. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光-世紀海岸	Whole Block	Commercial	2018	Asking in Sep 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Sep 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Sep 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Sep 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Sep 2022	60	11,700	-10%	-10%	9,477
		Adopted									11,000

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡 雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop	2021	Asking in Sep 2022	118	19,100	-10%	0%	17,190	
2	海環天翡旺鋪 119平復式	怡軒·海環天翡-汕頭市龍湖區	2 Levels	Shop	2021	Asking in Sep 2022	119	19,300	-10%	0%	17,370	
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop	2021	Asking in Sep 2022	86	18,400	-10%	0%	16,560	
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop	2018	Asking in Sep 2022	90	14,900	-10%	5%	14,081	
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop	2000	Asking in Sep 2022	32	13,400	-10%	10%	13,266	
6	正向黃河路旺鋪出售， 二格鋪面	龍湖區政府 黃河路/ 泰山中路	1 Level	Shop	2021	Asking in Sep 2022	110	11,600	-10%	0%	10,440	
<b>Adopted</b>											<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

5. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB14,200/sq.m. for car parks. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the car parks.

No.	Name of property	Address	Comparables			Gross Floor		Adjustment	Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature	Asking Date	Area (sq.m.)	Asking Price (sq.m.)	Asking	
1	一品灣二期負二層車位	一品灣二期	1 Level	Car Park	Asking in Sep 2022	12.5	12,800	-10%	11,520
2	東泰城市花園	汕頭龍湖區泰山南路15號	1 Level	Car Park	Asking in Sep 2022	20.0	11,000	-10%	9,900
3	御景陽光	龍光御海陽光北門-正門	1 Level	Car Park	Asking in Sep 2022	25.4	14,200	-10%	12,780
		<b>Adopted</b>							<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

6. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
7. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 September 2022
2.	深圳寶能時代灣(南區)(the “South Zone”) – Property Inventories (located at 汕頭東海岸新城津片區)	Completed in July 2021, the property is erected on a land parcel (Land lot No. F02-10) with site area of 50,897.6 sq.m. The total Gross Floor Area (“GFA”) is 80,214 sq.m., which is comprised from 72,642.13 sq.m. for office, 7,572.21 sq.m. for shops.	As of the Valuation Date, the property is under lease for commercial use.	Property Inventories <b>HKD1,034,000,000</b> (HONG KONG DOLLARS ONE BILLION AND THIRTY-FOUR MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificate 粵(2017)汕頭市不動產權第0004853號 (Yue (2017) Shantou City real estate Certificate No. 0004853), the Company is the registered owner of the investment properties and property inventories. The land use rights of the South Zone with a total site area of approximately 50,897.9 sq.m. have been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, there is no collateral agreement in relation to the South Zone.
- In undertaking our valuation of the Property Inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for office. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光-世紀海岸	Whole Block	Commercial	2018	Asking in Sep 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Sep 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Sep 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Sep 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Sep 2022	60	11,700	-10%	-10%	9,477
		Adopted									11,000

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Property Inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	樂道免佣折扣 海環天翡 雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop		2021	Asking in Sep 2022	118	19,100	-10%	0%	17,190
2	海環天翡旺鋪 119平復式	怡軒·海環天翡·汕頭市龍湖區	2 Levels	Shop		2021	Asking in Sep 2022	119	19,300	-10%	0%	17,370
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop		2021	Asking in Sep 2022	86	18,400	-10%	0%	16,560
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop		2018	Asking in Sep 2022	90	14,900	-10%	5%	14,081
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop		2000	Asking in Sep 2022	32	13,400	-10%	10%	13,266
6	正向黃河路旺鋪出售， 二格鋪面	龍湖區政府 黃河路/ 泰山中路	1 Level	Shop		2021	Asking in Sep 2022	110	11,600	-10%	0%	10,440
<b>Adopted</b>											<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

5. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
6. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 September 2022
3.	深圳寶能時代灣(中區)(the “Middle Zone”) – Investment properties (located at 汕頭東海岸新城津片區)	The property is erected on a land parcel (Land Lot No. F02-08) with site area of 39,474.8 sq.m. The total Gross Floor Area (“GFA”) is 157,596 sq.m., which is comprised from 35,294 sq.m. for office, 31,987 sq.m. for residential, 33,846 sq.m. for hotel and 56,469 sq.m. for shop.	As of the Valuation Date, the Middle Zone is under construction, and is scheduled to be completed in January 2025.	Investment properties <b>HKD829,000,000</b> (HONG KONG DOLLARS EIGHT HUNDRED AND TWENTY-NINE MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004865號, the registered owner of the Middle Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the Middle Zone (Land Lot No. F02-08) with site area of approximately 39,474.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, the Middle Zone with state owned land use right 粵(2017)汕頭市不動產權第0004865號 (State owned land use right Certificate No. 0004865) is currently collateralized to 廈門國際信託有限公司 (Xia Men International Trust Company Limited) dated 26 April 2022. As of the Valuation Date, the collateral agreement is still valid.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the offices. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光-世紀海岸	Whole Block	Commercial	2018	Asking in Sep 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Sep 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Sep 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Sep 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Sep 2022	60	11,700	-10%	-10%	9,477
		<b>Adopted</b>									<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Sep 2022	192	17,709	-10%	-5%	15,141
2	急售！海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平·3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 4價 御海禧園	汕頭龍湖 東海岸 龍光御海 禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level /18 Levels	Residential	2019	Asking in Sep 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Sep 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2廳局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Sep 2022	199	17,538	-10%	-5%	14,995
9	天合名門！帶精裝！望海景！	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Sep 2022	139	15,972	-10%	-5%	13,656
<b>Adopted</b>											<b>13,500</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

5. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for hotels. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB13,500/sq.m. for hotels.
6. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables			Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature	Date of Completion	Asking Date			Asking	Age	
1	渠道免佣折扣 海環天翡雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop	2021	Asking in Sep 2022	118	19,100	-10%	0%	17,190
2	海環天翡旺鋪 119平復式	怡軒·海環天翡·汕頭市龍湖區	2 Levels	Shop	2021	Asking in Sep 2022	119	19,300	-10%	0%	17,370
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop	2021	Asking in Sep 2022	86	18,400	-10%	0%	16,560
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop	2018	Asking in Sep 2022	90	14,900	-10%	5%	14,081
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop	2000	Asking in Sep 2022	32	13,400	-10%	10%	13,266
6	正向黃河路旺鋪出售，二格鋪面	龍湖區政府 黃河路/泰山中路	1 Level	Shop	2021	Asking in Sep 2022	110	11,600	-10%	0%	10,440
<b>Adopted</b>											<b>15,000</b>

**Note:** For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

7. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.

8. The market value of the Investment Property located in the Middle Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

9. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 September 2022
4.	深圳寶能時代灣(北區) – Investment properties (located at 汕頭東海岸新城津片區) (the “North Zone”)	The property is erected on a land parcel (Land Lot No. F01-11) with site area of 76,926.8 sq.m. The total Gross Floor Area (“GFA”) is 72,362 sq.m. which is for residential.	As of the Valuation Date, North Zone is under construction, and is scheduled to be completed in January 2025.	Investment properties <b>HKD295,000,000</b> (HONG KONG DOLLARS TWO HUNDRED AND NINETY-FIVE MILLION ONLY)

*Notes:*

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004866號, the registered owner of the North Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the North Zone (Land Lot No. F01-11) with site area of approximately 76,926.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, as of the Valuation Date, the North Zone is not subject to any mortgage/collateral agreement.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Sep 2022	192	17,709	-10%	-5%	15,141
2	急售！海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平，3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 d價 御海禧園	汕頭龍湖 東海岸 龍光御海 禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level /18 Levels	Residential	2019	Asking in Sep 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Sep 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2格局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Sep 2022	199	17,538	-10%	-5%	14,995
9	天合名門！帶精裝！望海景！	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Sep 2022	139	15,972	-10%	-5%	13,656
<b>Adopted</b>											<b>13,500</b>

**Note:** For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

- The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
- The market value of the Investment Property located in the North Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

- The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 September 2022
5.	深圳寶能時代灣(北區) – Property Inventories (located at 汕頭東海岸新城津片區) (the “North Zone”)	The property is erected on a land parcel (Land Lot No. F01-11) with site area of 76,926.8 sq.m. The total Gross Floor Area (“GFA”) is 313,457 sq.m. which is comprised from 263,264 sq.m. for residential, 8,449 sq.m. for shops, and 41,744 sq.m. for car park.	As of the Valuation Date, North Zone is under construction, and is scheduled to be completed in January 2025.	Property Inventories <b>HKD1,396,000,000</b> (HONG KONG DOLLARS ONE BILLION THREE HUNDRED AND NINETY-SIX MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004866號, the registered owner of the North Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the North Zone (Land Lot No. F01-11) with site area of approximately 76,926.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, as of the Valuation Date, the North Zone is not subject to any mortgage/collateral agreement.
- In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Sep 2022	192	17,709	-10%	-5%	15,141
2	急售！海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平，3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Sep 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 d價 御海禧園	汕頭龍湖 東海岸 龍光御海 禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Sep 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level /18 Levels	Residential	2019	Asking in Sep 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Sep 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2格局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Sep 2022	199	17,538	-10%	-5%	14,995
9	天合名門！帶精裝！望海景！	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Sep 2022	139	15,972	-10%	-5%	13,656
		<b>Adopted</b>									<b>13,500</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

- In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡 雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop		2021	Asking in Sep 2022	118	19,100	-10%	0%	17,190
2	海環天翡旺鋪 119平復式	怡軒·海環天翡·汕頭市龍湖區	2 Levels	Shop		2021	Asking in Sep 2022	119	19,300	-10%	0%	17,370
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop		2021	Asking in Sep 2022	86	18,400	-10%	0%	16,560
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop		2018	Asking in Sep 2022	90	14,900	-10%	5%	14,081
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop		2000	Asking in Sep 2022	32	13,400	-10%	10%	13,266
6	正向黃河路旺鋪出售， 二格鋪面	龍湖區政府 黃河路/ 泰山中路	1 Level	Shop		2021	Asking in Sep 2022	110	11,600	-10%	0%	10,440
<b>Adopted</b>											<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

- In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB14,200/sq.m. for car parks. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the car parks.

No.	Name of property	Address	Comparables			Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment	Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature	Asking Date			Factors	
1	一品灣二期負二層車位	一品灣二期	1 Level	Car Park	Asking in Sep 2022	12.5	12,800	-10%	11,520
2	東泰城市花園	汕頭龍湖區泰山南路15號	1 Level	Car Park	Asking in Sep 2022	20.0	11,000	-10%	9,900
3	御景陽光	龍光御海陽光北門-正門	1 Level	Car Park	Asking in Sep 2022	25.4	14,200	-10%	12,780
<b>Adopted</b>									<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

- The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
- The market value of the Property Inventory located in the North Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

- The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

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Our Ref: AP220703/1282/GSFGL/Rpt(iii)

27 February 2023

**Glory Sun Financial Group Limited**

Unit 1908, 19/F.  
Tower Two, Lippo Centre  
No. 89 Queensway  
Admiralty  
Hong Kong

Dear Sir or Madam,

**RE: Property Valuation of Properties located at Longhu District, Shau Tou City, Guangdong Province, the People's Republic of China**

We, AP Appraisal Limited, refer to the instructions from Glory Sun Financial Group Limited (the “**Instructing Party**”) to conduct a valuation for captioned Properties (the “**Properties**”) located at Longhu District, Shau Tou City, Guangdong Province, the Peoples’ Republic of China (the “**PRC**”). Details of which are set out in the attached valuation summaries. We confirm that we have carried our inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Properties as of 30 November 2022 (the “**Valuation Date**”) for circular purpose of the Hong Kong Stock Exchange (“**HKEx Circular**”) of the Instructing Party.

The properties are under a development and construction project in 寶能時代灣 (the “**Development Project**”) of 汕頭市泰盛科技有限公司 (the “**Company**” or “**TaiSheng**”) located at Longhu District (“**Longhu**”), Shau Tou City, Guangdong Province, the PRC, with a total sit area of approximately 167,000 square metres (“**sq.m.**”), and a gross floor area of approximately 951,000 sq.m. The Development Project is divided in 3 zones, which is compiled with office, shops, residential, service apartment and car park.

As of the Valuation Date, the Company holds the land use right of the following investment properties and property inventories under the Development Project:

- (a) A plot of land located at plot F02-10, the South Zone of the Development Project (the “**South Zone**”) with gross floor area of approximately 212,000 sq.m., with the right to be expired in January 2057;

- (b) A plot of land located at plot F02-08, the Middle Zone of the Development Project (the “**Middle Zone**”) with gross floor area of approximately 232,000 sq.m., with the right to be expired in January 2057; and
- (c) A plot of land located at plot F01-11, the North Zone of the Development Project (the “**North Zone**”) with gross floor area of approximately 507,000 sq.m., with the right to be expired in January 2057;

## **VALUATION METHODOLOGY**

According to the International Valuation Standard, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach. Therefore, market approach is adopted in the valuation as we found reliable, verifiable and relevant market information is available.

### **The Direct Comparison Method**

The Investment Properties and the Property Inventories at South Zone are well-constructed and all cost are fully paid. Therefore, the Direct Comparison Method under the Market Approach is adopted to evaluate the market value as of the Valuation Date. The Direct Comparison Method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value. The Comparable Transactions Method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. Physical condition, location and economic characteristics are important criteria to be analysed when comparing to the Properties.

### **The Residual Method**

The Investment Properties at Middle Zone and North Zone, and the Property Inventories at North Zone are currently under construction, and therefore the Residual Method is adopted to evaluate the market value as of the Valuation Date. The residual method is essentially a means of valuing land by reference to its development potential by deducting costs and developer’s profit from its estimated completed development value.

The valuation arrived at has not been determined by reference to comparable market transactions which is the most reliable method for valuing property assets and the most commonly used method for valuing properties in Hong Kong. In contrast, because of the lack of comparable market transactions in the locality in which the subject property is situated this valuation has used the residual method which is generally acknowledged as being a less reliable valuation method. The residual method is essentially a means of valuing land by reference to its development

potential by deducting costs and developer's profit from its estimated completed development value. It relies upon a series of assumptions made by the valuer which produce an arithmetical calculation of the expected current sale value as of 30 November 2022 of a property being developed or held for development or redevelopment. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised its professional judgment in arriving at the value, investors are urged to consider the nature of such assumptions which are disclosed in the valuation report carefully and should exercise caution in interpreting the valuation report.

### **GENERAL ASSUMPTIONS**

We have relied to a considerable extent on information given by the Instructing Party, in particular, but not limited to, planning approvals, development schemes and schedule, incurred and outstanding development costs, statutory notices, easements, tenancies, floor areas, gross floor areas, site area, construction cost, expected building completion date, etc. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party, which is material to the valuation. We were also advised by the Instructing Party that no material facts have been omitted from the information provided to us. We do not commission site surveys and a site survey has not been provided to us.

We had committed a site visit in September 2022 by Mr. Baolong Zhao, a manager of our firm. We have assumed there are no encroachments by or on the property, and the Instructing Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

In the course of our valuation for the investment properties and property inventories in the PRC, we have been provided with extracts from title documents relating to such property interests. However, we have relied considerably on the information given by the Company's PRC legal advisor, 廣東泰諾律師事務所, concerning the validity of the Company's title to the property interests located in the PRC, and the opinion that the current use of the property is in line with the permitted use set out in the land use certificate. All legal documents provided by the Company have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us.

We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

We have assumed that the site is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We assume the site is free of subsoil asbestos and have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials on site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

The values derived for the properties and inventories are the exiting/current market value as of the valuation date. The Demolition Compensation Agreement and the termination of the Demolition Compensation Agreement have not been considered during the calculation of the market value of the report.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the investment properties and property inventories nor for any expenses, government rent or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the investment properties and property inventories are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

The monetary amounts are stated in Hong Kong Dollars (HKD). We enclose herewith our valuation summaries.

We hereby certify that we have neither present nor prospective interests in the Instructing Party or the value reported.

Yours faithfully,

For and on behalf of

**AP Appraisal Limited**

**Paul Hung** MRICS ASA

*Director – Valuation & Advisory Services*

*Encl.*

*Note: Mr. Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region.*

## SUMMARY OF VALUES

No.	Property	Market Value as of 30 November 2022 <i>HKD million</i>
1.	深圳寶能時代灣(南區) (the “ <b>South Zone</b> ”) – Investment properties (located at 汕頭東海岸新城津片區)	611
2.	深圳寶能時代灣(南區) (the “ <b>South Zone</b> ”) – Property Inventories (located at 汕頭東海岸新城津片區)	1,229
3.	深圳寶能時代灣(中區) (the “ <b>Middle Zone</b> ”) – Investment properties (located at 汕頭東海岸新城津片區)	733
4.	深圳寶能時代灣(北區) – Investment properties (located at 汕頭東海岸新城津片區) (the “ <b>North Zone</b> ”)	235
5.	深圳寶能時代灣(北區) – Property Inventories (located at 汕頭東海岸新城津片區) (the “ <b>North Zone</b> ”)	1,226
	<b>Total</b>	<u><u>4,034</u></u>

## SUMMARY OF THE INVESTMENT PROPERTIES &amp; PROPERTY INVENTORIES

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 November 2022
1.	深圳寶能時代灣(南區)(the “South Zone”) – Investment properties (located at 汕頭東海岸新城津片區)	Completed in July 2021, the property is erected on a land parcel (Land lot No. F02-10) with site area of 50,897.6 sq.m. The total Gross Floor Area (“GFA”) is 48,816 sq.m., which is comprised from 43,152 sq.m. for office and 5,663 sq.m. for shops.	As of the Valuation Date, the investment property is under lease for commercial use.	Investment properties <b>HKD611,000,000</b> (HONG KONG DOLLARS SIX HUDNRED AND ELEVEN MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificate 粵(2017)汕頭市不動產權第0004853號 (Yue (2017) Shantou City real estate Certificate No. 0004853), the Company is the registered owner of the investment properties and property inventories. The land use rights of the South Zone with a total site area of approximately 50,897.9 sq.m. have been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, there is no collateral agreement in relation to the South Zone.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for office. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables				Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature	Date of Completion	Asking Date			Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光-世紀海岸	Whole Block	Commercial	2018	Asking in Nov 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Nov 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Nov 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Nov 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Nov 2022	60	11,700	-10%	-10%	9,477
		Adopted									11,000

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡 雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop	2021	Asking in Nov 2022	118	19,100	-10%	0%	17,190	
2	海環天翡旺鋪 119平復式	怡軒·海環天翡-汕頭市龍湖區	2 Levels	Shop	2021	Asking in Nov 2022	119	19,300	-10%	0%	17,370	
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop	2021	Asking in Nov 2022	86	18,400	-10%	0%	16,560	
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop	2018	Asking in Nov 2022	90	14,900	-10%	5%	14,081	
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop	2000	Asking in Nov 2022	32	13,400	-10%	10%	13,266	
6	正向黃河路旺鋪出售，二格鋪面	龍湖區政府 黃河路/泰山中路	1 Level	Shop	2021	Asking in Nov 2022	110	11,600	-10%	0%	10,440	
		<b>Adopted</b>									<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

5. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
6. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 November 2022
2.	深圳寶能時代灣(南區)(the “South Zone”) – Property Inventories (located at 汕頭東海岸新城津片區)	Completed in July 2021, the property is erected on a land parcel (Land lot No. F02-10) with site area of 50,897.6 sq.m. The total Gross Floor Area (“GFA”) is 99,502 sq.m., which is comprised from 72,642.13 sq.m. for office, 7,572.21 sq.m. for shops, and 19,287.20 sq.m. for car parks.	As of the Valuation Date, the property is under lease for commercial use.	Property Inventories <b>HKD1,229,000,000</b> (HONG KONG DOLLARS ONE BILLION TWO HUNDRED AND TWENTY-NINE MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificate 粵(2017)汕頭市不動產權第0004853號 (Yue (2017) Shantou City real estate Certificate No. 0004853), the Company is the registered owner of the investment properties and property inventories. The land use rights of the South Zone with a total site area of approximately 50,897.9 sq.m. have been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, there is no collateral agreement in relation to the South Zone.
- In undertaking our valuation of the Property Inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for office. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光世紀海岸	Whole Block	Commercial	2018	Asking in Nov 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Nov 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Nov 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Nov 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Nov 2022	60	11,700	-10%	-10%	9,477
		Adopted									11,000

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Property Inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡 雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop		2021	Asking in Nov 2022	118	19,100	-10%	0%	17,190
2	海環天翡旺鋪 119平復式	怡軒·海環天翡-汕頭市龍湖區	2 Levels	Shop		2021	Asking in Nov 2022	119	19,300	-10%	0%	17,370
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop		2021	Asking in Nov 2022	86	18,400	-10%	0%	16,560
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop		2018	Asking in Nov 2022	90	14,900	-10%	5%	14,081
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop		2000	Asking in Nov 2022	32	13,400	-10%	10%	13,266
6	正向黃河路旺鋪出售， 二格鋪面	龍湖區政府 黃河路/ 泰山中路	1 Level	Shop		2021	Asking in Nov 2022	110	11,600	-10%	0%	10,440
<b>Adopted</b>											<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

5. In undertaking our valuation of the Property Inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB14,200/sq.m. for car parks. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the car parks.

No.	Name of property	Address	Comparables			Gross Floor		Adjustment	Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature	Asking Date	Area (sq.m.)	Asking Price (sq.m.)	Asking	
1	一品灣二期負二層車位	一品灣二期	1 Level	Car Park	Asking in Nov 2022	12.5	12,800	-10%	11,520
2	東泰城市花園	汕頭龍湖區泰山南路15號	1 Level	Car Park	Asking in Nov 2022	20.0	11,000	-10%	9,900
3	御景陽光	龍光御海陽光北門-正門	1 Level	Car Park	Asking in Nov 2022	25.4	14,200	-10%	12,780
<b>Adopted</b>									<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

6. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
7. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 November 2022
3.	深圳寶能時代灣(中區)(the “Middle Zone”) – Investment properties (located at 汕頭東海岸新城津片區)	The property is erected on a land parcel (Land Lot No. F02-08) with site area of 39,474.8 sq.m. The total Gross Floor Area (“GFA”) is 157,596 sq.m., which is comprised from 35,294 sq.m. for office, 31,987 sq.m. for residential, 33,846 sq.m. for hotel and 56,469 sq.m. for shop.	As of the Valuation Date, the Middle Zone is under construction, and is scheduled to be completed in January 2025.	Investment properties <b>HKD733,000,000</b> (HONG KONG DOLLARS SEVEN HUNDRED AND THIRTY-THREE MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004865號, the registered owner of the Middle Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the Middle Zone (Land Lot No. F02-08) with site area of approximately 39,474.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, the Middle Zone with state owned land use right 粵(2017)汕頭市不動產權第0004865號 (State owned land use right Certificate No. 0004865) is currently collateralized to 廈門國際信託有限公司 (Xia Men International Trust Company Limited) dated 26 April 2022. As of the Valuation Date, the collateral agreement is still valid.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB20,900/sq.m. for offices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the offices. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Location	
1	龍光世紀海岸	金平-市政府-龍光-世紀海岸	Whole Block	Commercial	2018	Asking in Nov 2022	175	20,900	-10%	-10%	16,929
2	商業中心華潤大廈南塔辦公樓出售	龍湖-龍湖區政府-華潤大廈南塔	Low Level	Commercial	2022	Asking in Nov 2022	2,000	11,000	-10%	-10%	8,910
3	市區中心蘇寧廣場豪華裝修	龍湖-龍湖區政府-蘇寧廣場(長平東路店)-汕頭市龍湖區	Upper Level	Commercial	2015	Asking in Nov 2022	237	14,000	-10%	-10%	11,340
4	蘇寧廣場甲級寫字樓出售	龍湖-龍湖區政府-蘇寧廣場(長平東路店)	Mid Level	Commercial	2015	Asking in Nov 2022	400	20,700	-10%	-10%	16,767
5	蘇寧廣場寫字樓	龍湖-龍湖區政府-廣東省汕頭市龍湖區蘇寧廣場寫字樓	Mid Level	Commercial	2015	Asking in Nov 2022	60	11,700	-10%	-10%	9,477
<b>Adopted</b>											<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For location adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables less than 10 km closer to downtown; and a 10% discount is adopted for comparables more than 10 km closer to downtown.

4. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Nov 2022	192	17,709	-10%	-5%	15,141
2	急售！海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平·3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 4價 御海禧園	汕頭龍湖 東海岸 龍光御海 禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level /18 Levels	Residential	2019	Asking in Nov 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Nov 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2格局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Nov 2022	199	17,538	-10%	-5%	14,995
9	天合名門！帶精裝！望海景！	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Nov 2022	139	15,972	-10%	-5%	13,656
<b>Adopted</b>											<b>13,500</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

5. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for hotels. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB13,500/sq.m. for hotels.

6. In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop		2021	Asking in Nov 2022	118	19,100	-10%	0%	17,190
2	海環天翡旺鋪 119平復式	汕頭龍湖 東海岸 怡軒·海環天翡·汕頭市龍湖區	2 Levels	Shop		2021	Asking in Nov 2022	119	19,300	-10%	0%	17,370
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop		2021	Asking in Nov 2022	86	18,400	-10%	0%	16,560
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop		2018	Asking in Nov 2022	90	14,900	-10%	5%	14,081
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop		2000	Asking in Nov 2022	32	13,400	-10%	10%	13,266
6	正向黃河路旺鋪出售，二格鋪面	龍湖區政府 黃河路/ 秦山中路	1 Level	Shop		2021	Asking in Nov 2022	110	11,600	-10%	0%	10,440
<b>Adopted</b>												<b>15,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

7. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
8. The market value of the Investment Property located in the Middle Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

9. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 November 2022
4.	深圳寶能時代灣(北區) – Investment properties (located at 汕頭東海岸新城津片區) (the “North Zone”)	The property is erected on a land parcel (Land Lot No. F01-11) with site area of 76,926.8 sq.m. The total Gross Floor Area (“GFA”) is 72,362 sq.m. which is for residential.	As of the Valuation Date, North Zone is under construction, and is scheduled to be completed in January 2025.	Investment properties <b>HKD235,000,000</b> (HONG KONG DOLLARS TWO HUNDRED AND THIRTY-FIVE MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004866號, the registered owner of the North Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the North Zone (Land Lot No. F01-11) with site area of approximately 76,926.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, as of the Valuation Date, the North Zone is not subject to any mortgage/collateral agreement.
- In undertaking our valuation of the Investment Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Nov 2022	192	17,709	-10%	-5%	15,141
2	急售! 海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平, 3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 d價 御海禧園	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2019	Asking in Nov 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Nov 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2格局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Nov 2022	199	17,538	-10%	-5%	14,995
9	天合名門! 帶精裝! 望海景!	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Nov 2022	139	15,972	-10%	-5%	13,656
		<b>Adopted</b>									<b>13,500</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

4. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
5. The market value of the Investment Property located in the North Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

6. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 November 2022
5.	深圳寶能時代灣(北區) – Property Inventories (located at 汕頭東海岸新城津片區) (the “North Zone”)	The property is erected on a land parcel (Land Lot No. F01-11) with site area of 76,926.8 sq.m. The total Gross Floor Area (“GFA”) is 313,457 sq.m. which is comprised from 263,264 sq.m. for residential, 8,449 sq.m. for shops, and 41,744 sq.m. for car park.	As of the Valuation Date, North Zone is under construction, and is scheduled to be completed in January 2025.	Property Inventories <b>HKD1,226,000,000</b> (HONG KONG DOLLARS ONE BILLION TWO HUNDRED AND TWENTY-SIX MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Ownership Certificates 粵(2017)汕頭市不動產權第0004866號, the registered owner of the North Zone is Shantou City TaiSheng Technology Company Limited. The land use rights of the North Zone (Land Lot No. F01-11) with site area of approximately 76,926.8 sq.m. has been granted to TaiSheng for terms of 40 years expiring on 17 January 2057.
- According to the Management of the Company, as of the Valuation Date, the North Zone is not subject to any mortgage/collateral agreement.
- In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB14,900/sq.m. to RMB17,700/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB13,500/sq.m. for the residential area.

No.	Name of property	Address	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature					Asking	Architectural Design	
1	壹品灣四期 海環天翡 大平層	汕頭龍湖區 海環天翡	Low Level/ 23 Levels	Residential	2020	Asking in Nov 2022	192	17,709	-10%	-5%	15,141
2	急售！海環天翡園心3房	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,805	-10%	-5%	14,368
3	全新裝修129平·3房2廳	汕頭龍湖區 海環天翡	Low Level/ 31 Levels	Residential	2020	Asking in Nov 2022	130	16,797	-10%	-5%	14,361
4	全國帶裝修 d價 御海禧園	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	125	14,946	-10%	-5%	12,779
5	116平 4室2廳 滿二 南北通透	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2017	Asking in Nov 2022	117	15,801	-10%	-5%	13,510
6	御海禧園園心6樓新中式裝修	汕頭龍湖 東海岸 龍光御海禧園	Low Level/ 18 Levels	Residential	2019	Asking in Nov 2022	125	15,494	-10%	-5%	13,247
7	全汕頭海景風水一頂好的一棟	汕頭龍湖 東海岸 天合名門(二期)	Low Level/ 43 Levels	Residential	2022	Asking in Nov 2022	174	16,000	-10%	-5%	13,680
8	17500天合名門4房2廳局大	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2020	Asking in Nov 2022	199	17,538	-10%	-5%	14,995
9	天合名門！帶精裝！望海景！	汕頭龍湖 東海岸 天合名門(二期)	Upper Level/ 45 Levels	Residential	2022	Asking in Nov 2022	139	15,972	-10%	-5%	13,656
		Adopted									13,500

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For architectural design adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 5% discount is adopted as the comparables generally have interior designs/decorations to a certain extent, in comparison to nothing included in the Property Inventory. 10% discount is adopted when comparables have even more interior designs/decorations, such as furniture/other home appliances included.

4. In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,600/sq.m. to RMB19,300/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed a median price of RMB15,000/sq.m. for the shops.

No.	Name of property	Address	Storey(s)	Comparables		Date of Completion	Asking Date	Gross Floor Area (sq.m.)	Asking Price (sq.m.)	Adjustment Factors		Adjusted Price (RMB/sq.m.)
				Nature						Asking	Age	
1	渠道免佣折扣 海環天翡雙層臨街鋪面	汕頭龍湖 東海岸 怡軒·海環天翡	1 Level	Shop	2021	Asking in Nov 2022	118	19,100	-10%	0%	17,190	
2	海環天翡旺鋪 119平復式	怡軒·海環天翡·汕頭市龍湖區	2 Levels	Shop	2021	Asking in Nov 2022	119	19,300	-10%	0%	17,370	
3	寶能時代灣旺鋪僅3套	汕頭龍湖 東海岸 寶能時代灣	1 Level	Shop	2021	Asking in Nov 2022	86	18,400	-10%	0%	16,560	
4	龍湖區汕頭萬象城	汕頭萬象城	3 Levels	Shop	2018	Asking in Nov 2022	90	14,900	-10%	5%	14,081	
5	龍湖區政府	龍湖區政府 紫雲莊	1 Level	Shop	2000	Asking in Nov 2022	32	13,400	-10%	10%	13,266	
6	正向黃河路旺鋪出售，二格鋪面	龍湖區政府 黃河路/泰山中路	1 Level	Shop	2021	Asking in Nov 2022	110	11,600	-10%	0%	10,440	
<b>Adopted</b>											<b>15,000</b>	

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

For age adjustment, it is an industry practice and Valuer's professional judgement in adopting 5% to 10% discount. In this valuation, 5% discount is adopted for comparables with date of completion more than 5 years ago, 10% discount is adopted for comparables with date of completion more than 10 years ago or above.

7. In undertaking our valuation of the Property inventory, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB11,000/sq.m. to RMB14,200/sq.m. for car parks. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an median price of RMB11,000/sq.m. for the car parks.

No.	Name of property	Address	Comparables			Gross Floor		Adjustment	Adjusted Price (RMB/sq.m.)
			Storey(s)	Nature	Asking Date	Area (sq.m.)	Asking Price (sq.m.)	Asking	
1	一品灣二期負二層車位	一品灣二期	1 Level	Car Park	Asking in Nov 2022	12.5	12,800	-10%	11,520
2	東泰城市花園	汕頭龍湖區泰山南路15號	1 Level	Car Park	Asking in Nov 2022	20.0	11,000	-10%	9,900
3	御景陽光	龍光御海陽光北門-正門	1 Level	Car Park	Asking in Nov 2022	25.4	14,200	-10%	12,780
<b>Adopted</b>									<b>11,000</b>

*Note:* For asking adjustment, it is an industry practice and Valuer's professional judgment in adopting 5% to 10% discount. In this valuation, 10% discount is adopted due to the recent downside market in the Mainland China. We believe such adjustment is fair and reasonable, as such discount has already taken into account the macro-economic condition of the PRC as of the Valuation Date, as well as the effect of potential discounts made by sellers through bargains/consensus with buyer within transactions. This should display a relatively objective view on the asking price after such adjustment.

8. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
9. The market value of the Property Inventory located in the North Zone is arrived by the Residual Method, in which the estimated completed development value is derived from development potential less construction cost and developer's profits.

The total construction cost is estimated by multiplying the total gross floor area and the unit construction cost as of the Valuation Date. The average unit construction cost adopted in this valuation is RMB5,900/sq.m.

The developer's profit is assumed to be 20% of the Gross Development Value ("GDV") after deduction of marketing cost (3% of GDV) and value-added tax (9% of GDV).

10. The property listings of the comparables are extracted directly from real estate websites, when only ask price is being provided. Thus, asking prices for are quoted and adopted.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to GSFG Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Directors' and chief executives' interests and short positions in Shares and underlying Shares and debentures of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

#### ***Interests and short positions in the Shares and underlying Shares of the Company***

Name of Director	Capacity in which interests in Shares are held	Interests in Shares	Total interests in Shares	Approximate percentage of Shares in issue as at the Latest Practicable Date <i>(Note 1)</i>
Yao Jianhui (“Mr. Yao”)	Interest in controlled corporation	2,655,000 (L) <i>(Note 2)</i>	2,655,000 (L)	0.17%

*Notes:*

- As at the Latest Practicable Date, the total issued share capital of the Company amounted to 1,569,375,610 Shares.

2. As at the Latest Practicable Date, these Shares were beneficially owned by Laihua Group Holdings Limited\* being interested in 2,655,000 Shares. As Laihua Group Holdings Limited\* is wholly owned by Shenzhen Laihua Assets Holdings Limited, which in turn is owned as to 99.5% by Mr. Yao, Mr. Yao, as the chairman of the Company, is deemed to be interested in the Shares owned by Laihua Group Holdings Limited\* by virtue of the SFO.

Abbreviations: “L” stands for long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register maintained by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

***Directors’ rights to acquire Shares or debentures***

Apart from the share option scheme adopted by the Company on 2 June 2020, as at the Latest Practicable Date, none of the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements which enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

**Substantial Shareholders' and other person' interests and short positions in the Shares and underlying Shares of the Company**

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following, not being a Director or the chief executives of the Company, have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity in which interests in the Shares are held	Number of Shares held	Approximate percentage of Shares in issue as at the Latest Practicable Date <i>(Note)</i>
Tinmark Development Limited	Interest in controlled corporation	42,434,380 (L)	2.70%
Bao Xin International Group Limited	Interest in controlled corporation	42,434,380 (L)	2.70%
Bao Xin Development Limited	Beneficial owner	42,434,380 (L)	2.70%
Shenzhen Laihua Assets Holdings Limited	Interest in controlled corporation	2,655,000 (L)	0.17%
Laihua Group Holdings Limited	Beneficial owner	2,655,000 (L)	0.17%

*Note:* As at the Latest Practicable Date, the total issued share capital of the Company amounted to 1,569,375,610 Shares.

Abbreviations: "L" stands for long position

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares or underlying Shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

### 3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Enlarged Group nor were there any proposed service agreements which would not expire or be determinable by the member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

### 4. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

#### (a) Interests in assets

Save as disclosed in the section headed "Letter from the Board", as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (the date up to which the latest published audited consolidated financial statements of GSFG Group was made), acquired or disposed of by, or lease to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

#### (b) Interests in contracts of significance

On 14 April 2021, Baokai Investment entered into a property management services framework agreement ("**Baokai Investment Property Management Services Framework Agreement**") with Shenzhen Jixiang Property Services Group Limited\* (深圳吉祥服務集團有限公司) ("**Shenzhen Jixiang**"), which is indirectly wholly-owned by Mr. Yao, pursuant to which, Shenzhen Jixiang agreed to provide property management services to Baokai Investment and its subsidiaries ("**Baokai Investment Group**") in accordance with the Baokai Investment Property Management Services Framework Agreement for a period from 14 April 2021 to 31 December 2023.

The aggregate amount of the management services fees payable by Baokai Investment Group to Shenzhen Jixiang pursuant to the Baokai Investment Property Management Services Framework Agreement for the period from 14 April 2021 to 31 December 2023 will not exceed RMB150,000,000 and the annual caps (i.e. the maximum contractual sum payable by Baokai Investment Group to Shenzhen Jixiang for each financial year pursuant to the Baokai Investment Property Management Services Framework Agreement for the period from 14 April 2021 to 31 December 2023) for the period from 14 April 2021 to 31 December 2021 was RMB48,000,000, and the annual cap for each of the financial years ending 31 December 2022 and 31 December 2023 will be RMB50,000,000 and RMB52,000,000 respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group.

**(c) Interests in competing business**

As at the Latest Practicable Date, pursuant to Rule 8.10 of the Listing Rules, the interests of the Directors in business which might compete with the Enlarged Group were as follows:

- Mr. Yao Jianhui, being the chairman and an executive Director of the Company, is also an executive director of GSLG, which through its subsidiaries, is also engaged in property investment and development in the PRC.

GSLG is involved in the investment and development of properties of different types and/or in different locations, and the Board has been operating independently of, and at arm's length from, the businesses of GSLG, no competition is considered to exist.

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

**5. LITIGATION**

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and, insofar as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

**6. MATERIAL CONTRACTS**

The following material contracts, not being contracts entered into in the ordinary course of business of GSFG Group, have been entered into by members of GSFG Group within two years immediately preceding the date of this circular:

- (a) the property management services framework agreement dated 14 April 2021 entered into between Baokai Investment and Shenzhen Jixiang in relation to the provision of property management services by Shenzhen Jixiang to Baoxin Investment and its subsidiaries for a period from 14 April 2021 to 31 December 2023 with the maximum contract sum of RMB48 million, RMB50 million and RMB52 million for the period from 14 April 2021 to 31 December 2021, and each of the financial years ending 31 December 2022 and 31 December 2023, respectively, details of which were disclosed in the announcement of the Company dated 14 April 2021;
- (b) the subscription agreement dated 6 September 2021 entered into between Mr. Yao and the Company, pursuant to which the bonds with an aggregate principal amount of HK\$114,000,000 were subscribed by Mr. Yao for a term of 364 days;

- (c) the subscription agreement dated 6 September 2021 entered into between Bao Xin Development Limited and the Company, pursuant to which the bonds with an aggregate principal amount of HK\$113,000,000 were subscribed by Bao Xin Development Limited for a term of 364 days;
- (d) the capital injection agreement dated 14 January 2022 entered into between Shenzhen B&K New Energy Co., Limited\* (深圳邦凱新能源股份有限公司) (“**Shenzhen B&K**”), an indirect non-wholly owned subsidiary of the Company, as issuer and Shenzhen Baokai Industries Company Limited\* (深圳寶開實業有限公司) (“**Baokai Industries**”), an indirect wholly-owned subsidiary of the Company as subscriber in relation to the subscription of 280,000,000 subscription shares in Shenzhen B&K at a price of RMB1 per subscription share, details of which were disclosed in the announcements of the Company dated 14 January 2022, 20 January 2022 and 28 April 2022;
- (e) the capital injection agreement dated 14 January 2022 entered into between Shenzhen B&K as issuer and Shenzhen Hongxinglaihua Hotel Company Limited\* (深圳鴻興萊華酒店有限公司) (“**Hongxinglaihua Hotel**”) as subscriber in relation to the subscription of 500,000,000 subscription shares in Shenzhen B&K at a price of RMB1 per subscription share, details of which were disclosed in the announcements of the Company dated 14 January 2022, 20 January 2022 and 28 April 2022;
- (f) the share transfer agreement dated 28 January 2022 entered into between Glory Sun Financial Holdings Limited (“**GSFHL**”), an indirect wholly-owned subsidiary of the Company, as purchaser and Hua Tong Group Limited (華通集團有限公司) (“**Hua Tong**”) as vendor, pursuant to which GSFHL shall acquire, and Hua Tong shall transfer 13,921,278 shares of Golden Affluent Limited (金裕有限公司), representing approximately 14.73% of its total issued shares, at the consideration of HK\$110,000,000, details of which were disclosed in the announcement of the Company dated 28 January 2022;
- (g) the equity transfer agreement (the “**Equity Transfer Agreement**”) dated 28 April 2022 entered into between Baokai Industries as vendor, Hongxinglaihua Hotel as purchaser and Shenzhen B&K, pursuant to which Baokai Industries conditionally agreed to sell and Hongxinglaihua Hotel conditionally agreed to purchase, 543,600,000 shares of Shenzhen B&K, representing 75.5% of the entire issued share capital of Shenzhen B&K for a consideration of RMB800 million (equivalent to approximately HK\$984 million), details of which were disclosed in the announcements of the Company dated 28 April 2022, 5 May 2022 and 23 May 2022;

- (h) the termination agreement dated 23 May 2022 entered into between Baokai Industries as vendor, Hongxinglaihua Hotel as purchaser and Shenzhen B&K in relation to the termination of the Equity Transfer Agreement, details of which were disclosed in the announcement of the Company dated 23 May 2022;
- (i) the Framework Agreement; and
- (j) the Sale and Purchase Agreement.

## **7. EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
AP Appraisal Limited	Independent property valuer
Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s), report(s), opinion and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the experts had any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited financial statements of GSGF Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

## **8. DOCUMENTS ON DISPLAY**

Copies of the following documents are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.hk1282.com>) for a period of 14 days from the date of this circular:

- (a) the annual reports of the Company for the financial years ended 31 December 2019, 2020 and 2021;
- (b) the interim report of the Company for the six months ended 30 June 2022;

- (c) the report from Mazars CPA Limited in respect of the financial information of the Target Company, the text of which is set out in Appendix II to this circular;
- (d) the report from Mazars CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the business valuation report issued by AP Appraisal Limited, the text of which is set out in Appendix VI to this circular;
- (f) the property valuation report issued by AP Appraisal Limited, the text of which is set out in Appendix VII to this circular;
- (g) the property valuation report issued by AP Appraisal Limited, the text of which is set out in Appendix VIII to this circular;
- (h) the written consents referred to in the paragraph headed “7. Experts and Consents” in this appendix;
- (i) the material contracts referred to in the paragraph headed “6. Material Contracts” in this appendix;
- (j) the Framework Agreement;
- (k) the Sale and Purchase Agreement; and
- (l) this circular.

## **9. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Ho Lik Kwan, Luke. He is a member of each of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Unit 1908, 19/F., Tower Two, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

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## NOTICE OF THE EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Glory Sun Financial Group Limited (the “**Company**”) will be held at Unit 1908, 19/F., Tower 2, Lippo Centre, No. 89 Queensway, Admiralty, Hong Kong on Tuesday, 21 March 2023 at 11:00 a.m. for the purpose of considering, and if thought fit, passing with or without modification the following resolution:

#### ORDINARY RESOLUTION

**“THAT:**

- (i) the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 19 October 2022 entered into between Shenzhen Baokai Investment Holding Company Limited\* (深圳寶開投資控股有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser (the “**Purchaser**”) and Shenzhen Hong Jia Xin Technology Limited\* (深圳宏佳新科技有限公司), as the vendor (the “**Vendor**”) (a copy of which has been produced at the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) in relation to, among other matters, the proposed acquisition of the entire equity interest of Shantou Taisheng Technology Limited\* (汕頭市泰盛科技有限公司) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and
- (ii) any one Director (or any two Directors if the affixing of the common seal of the Company is necessary) be and is/are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as he/she/they may, in his/her/their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder and the implementation thereof, including, without limitation, the affixing of common seal of the Company thereon.”

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

Hong Kong, 27 February 2023

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## NOTICE OF THE EGM

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*Registered Office:*

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

*Head office and principal place  
of business in Hong Kong:*

Unit 1908, 19/F.  
Tower Two, Lippo Centre  
No. 89 Queensway  
Admiralty  
Hong Kong

*Notes:*

1. An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her/its stead at the EGM (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company. In light of the epidemic situation of COVID-19, shareholders may consider appointing the chairman of the EGM as his/her/its proxy to vote on the resolutions, instead of attending the EGM in person.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the EGM (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she/it were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. A proxy form for use at the EGM is enclosed.
4. In order to be valid, the completed proxy form must be received by the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed (i.e. Sunday, 19 March 2023 at 11:00 a.m.) for holding the EGM or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Company's Hong Kong branch share registrar and transfer office together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.
5. For the purpose of determining shareholders' eligibility to attend and vote at the EGM (or at any adjournment of it), the register of members of the Company will be closed from Thursday, 16 March 2023 to Tuesday, 21 March 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office at the address stated in note 4 above no later than 4:30 p.m. on Wednesday, 15 March 2023.
6. As set out in the Letter from the Board included in the circular, each of the resolutions set out in this notice should be voted on by poll.

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## NOTICE OF THE EGM

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7. If a typhoon signal No. 8 or above is hoisted or a “black” rainstorm warning signal is in force at any time at or before 11:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hk1282.com](http://www.hk1282.com)) to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

*As at the date of this notice, the Board comprises three executive Directors, namely Mr. Yao Jianhui, 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 Ms. Zhao Yizi.*