



寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code 股份代號 : 01282)

Interim
Report
中期報告

2020



<http://www.hk1282.com>

The background features large, stylized Chinese characters in a light beige color. The characters are filled with various patterns: a circular pattern at the top, a diagonal striped pattern in the middle, and a triangular grid pattern at the bottom. The overall design is elegant and traditional.

寶新金融集團有限公司
GLORY SUN FINANCIAL
GROUP LIMITED

CORPORATE PROFILE

Glory Sun Financial Group Limited (the "Company") was established in 2009 and listed on the main board of The Stock Exchange of Hong Kong Limited on 15 December 2010 (Stock Code: 01282.HK). The Company and its subsidiaries (the "Group") are principally engaged in the business of financial services, property investment and development, automation, securities investment, trading of commodities, yacht club and education.

The Group holds licences to provide comprehensive financial services, including securities and futures trading, corporate finance, asset management, wealth management, money lending, and precious metal trading in Hong Kong and the PRC. After years of operations and experience, the Group has become one of the most trusted partners in wealth management and financial planning in Hong Kong.

The Group's property investment and development segment has been under rapid development and expansion in recent years. It is engaged with a number of property projects in Hong Kong and various major cities in the PRC, covering projects including residential buildings, commercial apartments, commercial office buildings, technology parks, shopping malls and hotels. It will continue to explore quality property projects in the Greater Bay Area to increase its land reserves for future development.

The Group is one of the leaders in the distribution of automation equipment in the PRC. It maintains a close relationship and collaboration with key business partners in the PRC. It is committed to seizing the opportunities brought by the smart manufacturing transformation under "Made in China 2025" and the opportunities for 5G market development.

The Company is a constituent of the MSCI China Small Cap Index and a number of Hang Seng Family of Indexes, including Hang Seng Composite Index, Hang Seng Composite SmallCap Index, Hang Seng Composite MidCap & SmallCap Index, Hang Seng Composite Industry Index-Conglomerates, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng SCHK ex-AH Companies Index. It is also one of the eligible stocks in the Shenzhen-Hong Kong Stock Connect. The inclusion of the Company in these indexes reflects the market recognition of its efforts over the past few years.

Adhering to its philosophy of "sustainable development and giving back to the community," the Group is committed to providing all-rounded quality products and services to maximise return for its shareholders, and at the same time contributing to the well-being of the society as a whole. Looking ahead, the Group will rise to the challenges of the formidable business environment and look for local and overseas partners to promote the overall development of the Group.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Jianhui — *Chairman and
Chief Executive Officer*

Ms. Ye Weiqing — *Co-Chairman
(resigned on 2 June 2020)*

Mr. Lau Wan Po — *Vice Chairman*

Mr. Li Minbin

Mr. Huang Wei

Non-Executive Directors

Mr. Zhang Chi

Independent Non-Executive Directors

Mr. Wong Chun Bong

Professor Lee Kwok On, Matthew

Mr. Lee Kwan Hung, Eddie

AUDIT COMMITTEE

Mr. Wong Chun Bong — *Chairman*

Mr. Zhang Chi

Professor Lee Kwok On, Matthew

NOMINATION COMMITTEE

Mr. Yao Jianhui — *Chairman*

Mr. Wong Chun Bong

Mr. Lee Kwan Hung, Eddie

REMUNERATION COMMITTEE

Professor Lee Kwok On, Matthew — *Chairman*

Mr. Yao Jianhui

Mr. Wong Chun Bong

INVESTMENT COMMITTEE

Mr. Yao Jianhui — *Chairman*

Ms. Ye Weiqing (*resigned on 2 June 2020*)

Mr. Lau Wan Po

Mr. Li Minbin

Mr. Huang Wei

STRATEGIC COMMITTEE

Mr. Yao Jianhui — *Chairman*

Ms. Ye Weiqing (*resigned on 2 June 2020*)

Mr. Lau Wan Po

Mr. Li Minbin

Professor Lee Kwok On, Matthew

COMPANY SECRETARY

Mr. Ho Ka Yiu, Simon

AUTHORISED REPRESENTATIVES

Mr. Yao Jianhui

Mr. Ho Ka Yiu, Simon

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited

Chong Hing Bank Limited

United Overseas Bank Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

BDO Limited

Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F., Wing On Centre,

111 Connaught Road Central,

Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING VENUE/STOCK CODE

Main Board of The Stock Exchange of
Hong Kong Limited/01282

BOARD LOT

4,000 shares

COMPANY WEBSITE

<http://www.hk1282.com>

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited) (Restated) (Re-presented)
OPERATING RESULTS		
Revenue (HK\$'million)	2,684.1	1,999.0
Gross profit (HK\$'million)	243.2	69.4
EBITDA (HK\$'million) (Note 1)	57.7	600.7
EBIT (HK\$'million) (Note 2)	9.2	574.4
Profit attributable to owners of the Company (HK\$'million)	104.9	370.4
Earnings per share (HK cent)		
— Basic and diluted	0.35	1.40
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
FINANCIAL POSITION		
Total assets (HK\$'million)	29,326.1	29,439.1
Net assets (HK\$'million)	10,596.6	10,761.3
Cash and cash equivalents (HK\$'million)	1,189.0	1,313.6
Current ratio	1.6	1.3

Notes:

- (1) EBITDA is calculated at (loss)/profit before income tax from continuing operations subtracted by finance cost — net and adding back depreciation of owned property, plant and equipment and right-of-use-assets and amortisation of intangible assets.
- (2) EBIT is calculated at (loss)/profit before income tax from continuing operations subtracted by finance cost — net.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF GLORY SUN FINANCIAL GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 8 to 65 which comprise the condensed consolidated statement of financial position of Glory Sun Financial Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2020 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate no. P04743

Hong Kong, 28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated) (Re-presented)
Continuing operations			
Revenue	6	2,684,135	1,998,953
Cost of sales		(2,440,972)	(1,929,537)
Gross profit		243,163	69,416
Other gains – net	7	38,584	29,104
Other income	7	17,154	22,102
Gain on disposal of a subsidiary	28	519,624	–
Gain on bargain purchase	26	–	696,412
Loss on remeasurement of pre-existing interest in an associate	26	–	(176,869)
Fair value (loss)/gain on investment properties		(407,401)	138,169
Impairment losses on intangible assets		(131,168)	–
Impairment losses on contract assets		(55,527)	(164)
Distribution costs		(42,571)	(23,593)
Administrative expenses		(190,206)	(194,937)
(Loss)/profit from operations		(8,348)	559,640
Finance costs – net	9	(138,099)	(49,416)
Share of results of associates		17,519	14,717
(Loss)/profit before income tax from continuing operations		(128,928)	524,941
Income tax credit/(expense)	10	66,315	(101,559)
(Loss)/profit for the period from continuing operations		(62,613)	423,382
Discontinued operations			
Profit for the period from discontinued operations		–	30,586
(Loss)/profit for the period	8	(62,613)	453,968
Profit/(loss) for the period attributable to:			
Owners of the Company			
— Continuing operations		104,882	354,104
— Discontinued operations		–	16,320
		104,882	370,424
Non-controlling interests			
— Continuing operations		(167,495)	69,278
— Discontinued operations		–	14,266
		(167,495)	83,544
		(62,613)	453,968

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated) (Re-presented)
(Loss)/profit for the period		(62,613)	453,968
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(227,010)	(117,766)
Release of exchange reserve upon disposal of subsidiaries	28	(18,390)	(2,438)
Share of other comprehensive income of associates		(57,915)	(61,200)
<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		(201,066)	(218,969)
Other comprehensive income for the period		(504,381)	(400,373)
Total comprehensive income for the period		(566,994)	53,595
Total comprehensive income for the period attributable to:			
— Owners of the Company		(260,492)	(20,620)
— Non-controlling interests		(306,502)	74,215
		(566,994)	53,595
Earnings per share from continuing and discontinued operations			
— Basic (HK cents)	11	0.35	1.40
— Diluted (HK cents)	11	0.35	1.40
Earnings per share from continuing operations			
— Basic (HK cents)	11	0.35	1.34
— Diluted (HK cents)	11	0.35	1.34
Earnings per share from discontinued operations			
— Basic (HK cent)	11	N/A	0.06
— Diluted (HK cent)	11	N/A	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	369,925	322,671
Investment properties	13	8,733,582	9,011,837
Intangible assets	13	563,960	726,735
Investment in an associate		281,384	321,780
Financial assets at fair value through other comprehensive income	14	456,511	904,840
Finance lease receivables		45,159	61,480
Prepayments, deposits and other receivables	18	558,576	111,430
Loans and advances	16	–	78,000
Derivative financial assets		17,345	13,753
Deferred tax assets		31,970	40,019
		11,058,412	11,592,545
Current assets			
Inventories		25,113	23,156
Properties under development	15	7,871,269	7,855,386
Completed properties held for sale	15	1,317,216	1,146,584
Loans and advances	16	1,164,781	1,190,715
Trade receivables	17	292,240	321,315
Contract assets		206,555	250,550
Finance lease receivables		51,782	54,173
Prepayments, deposits and other receivables	18	4,366,894	4,275,164
Current tax recoverable		8,755	20,818
Financial assets at fair value through profit or loss	19	289,015	128,851
Client trust bank balances		402,115	376,677
Pledged bank deposits and restricted deposits		1,082,990	889,611
Cash and cash equivalents		1,188,975	1,313,570
		18,267,700	17,846,570
Total assets		29,326,112	29,439,115

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current liabilities			
Trade and bills payables	20	3,986,955	4,313,930
Contract liabilities		876,485	798,585
Accruals and other payables	21	1,513,567	1,502,480
Consideration payable		–	300,620
Borrowings	22	5,049,091	6,190,104
Lease liabilities		12,664	5,412
Financial guarantees		–	33,180
Current tax liabilities		291,107	466,631
		11,729,869	13,610,942
Net current assets			
		6,537,831	4,235,628
Total assets less current liabilities			
		17,596,243	15,828,173
Non-current liabilities			
Borrowings	22	5,733,743	3,690,642
Lease liabilities		84,736	28,698
Consideration payable		141,543	136,019
Deferred tax liabilities		1,039,598	1,211,543
		6,999,620	5,066,902
Total liabilities			
		18,729,489	18,677,844
NET ASSETS			
		10,596,623	10,761,271
EQUITY			
Share capital	23	3,138,751	2,978,751
Reserves		4,628,133	4,648,403
		7,766,884	7,627,154
Equity attributable to owners of the Company		7,766,884	7,627,154
Non-controlling interests		2,829,739	3,134,117
		10,596,623	10,761,271
TOTAL EQUITY			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000	Treasury share HK\$'000	Other reserves HK\$'000	Financial assets of fair value through other comprehensive income reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Non- controlling interests HK\$'000	
For the six months ended 30 June 2019 (Unaudited) (Restated)												
At 1 January 2019	2,586,981	4,199,301	(215,150)	12,411	118,547	-	(199,138)	(2,010,602)	(108,441)	1,918,558	662,287	6,964,754
Profit for the period (Restated (Note 2(d)))	-	-	-	-	-	-	-	-	-	370,424	83,544	453,968
Other comprehensive income:												
Net changes in the fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")	-	-	-	-	-	-	-	(213,765)	-	-	(5,204)	(218,969)
Share of other comprehensive income of associates	-	-	-	-	-	-	(61,200)	-	-	-	-	(61,200)
Release of exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,685)	-	(753)	(2,438)
Currency translation differences (Restated (Note 2(d)))	-	-	-	-	-	-	-	-	(114,394)	-	(3,372)	(117,766)
Total other comprehensive income	-	-	-	-	-	-	(61,200)	(213,765)	(116,079)	-	(9,329)	(400,373)
Total comprehensive income	-	-	-	-	-	-	(61,200)	(213,765)	(116,079)	370,424	74,215	53,595
Arising from step acquisition (Note 26(a))	150,850	324,329	-	-	-	(70,187)	-	-	-	-	2,177,166	2,582,158
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	22,515	22,515
Financial effect arising from acquisition of subsidiaries under common control (Restated)	-	-	(694,678)	-	13,536	-	-	-	-	(186,673)	(440,119)	(1,307,934)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	28,618	28,618
Transactions with non- controlling interests (Note 27)	920	1,839	-	-	-	-	684,765	-	-	-	515,770	1,203,294
Put option lapsed	-	-	-	-	-	-	247,145	-	-	-	-	247,145
Dividend paid	-	(54,775)	-	-	-	-	-	-	-	-	-	(54,775)
At 30 June 2019	2,738,751	4,470,694	(909,828)	12,411	132,083	(70,187)	671,572	(2,224,367)	(224,520)	2,102,309	3,040,452	9,739,370

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000	Treasury share HK\$'000	Other reserves HK\$'000	Financial assets at fair value through other comprehensive income reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
For the six months ended 30 June 2020 (Unaudited)												
At 1 January 2020	2,978,751	4,830,694	(909,828)	12,411	222,263	(70,187)	846,211	(2,309,294)	(299,012)	2,325,145	3,134,117	10,761,271
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	104,882	(167,495)	(62,613)
Other comprehensive income:												
Net changes in the fair value of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(190,631)	-	-	(10,435)	(201,066)
Share of other comprehensive income of an associate	-	-	-	-	-	-	(57,915)	-	-	-	-	(57,915)
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	-	-	-	-	(18,390)	-	-	(18,390)
Currency translation differences	-	-	-	-	-	-	-	-	(98,438)	-	(128,572)	(227,010)
Total other comprehensive income	-	-	-	-	-	-	(57,915)	(190,631)	(116,828)	-	(139,007)	(504,381)
Total comprehensive income	-	-	-	-	-	-	(57,915)	(190,631)	(116,828)	104,882	(306,502)	(566,994)
Placing of new shares (Note 23(c))	160,000	240,000	-	-	-	-	-	-	-	-	-	400,000
Transactions with non-controlling interests (Note 27)	-	-	-	-	-	-	222	-	-	-	2,124	2,346
Disposal of a subsidiary	-	-	-	-	(34,860)	-	(8,401)	-	-	43,261	-	-
Transfer of accumulated loss of equity instruments designated at fair value through other comprehensive income within equity	-	-	-	-	-	-	-	148,274	-	(148,274)	-	-
At 30 June 2020	3,138,751	5,070,694	(909,828)	12,411	187,403	(70,187)	780,117	(2,351,651)	(415,840)	2,325,014	2,829,739	10,596,623

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Net cash used in operating activities	(1,089,010)	(1,711,711)
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,731)	(14,638)
Payment for construction costs of investment properties	(259,519)	(267,939)
Purchase of financial assets at fair value through profit or loss	–	(109,241)
Addition of intangible assets	(525)	–
Proceeds received from disposal of a subsidiary in prior year	10,000	–
Proceeds received from disposal of property, plant and equipment	4	2,673
Disposal of a subsidiary, net of cash disposed of	380,261	(4)
Proceeds received from disposal of financial assets at fair value through other comprehensive income	240,930	–
Proceeds received from disposal of financial assets at fair value through profit or loss	–	589,625
Interest received	2,908	1,691
Dividend received from other investments	–	567
Increase in pledged bank deposits	(205,050)	(10,624)
Payment of consideration in relation to acquisition of subsidiaries in prior year	(298,729)	–
Acquisition of subsidiaries, net of cash acquired	–	318,665
Decrease in time deposits with original maturity over three months	–	10,177
Net cash (used in)/generated from investing activities	(154,451)	520,952

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Cash flows from financing activities		
Repayment to non-controlling interests	(1,202)	–
Advance from related parties	1,840	–
Capital contribution by non-controlling equity holder	2,346	–
Drawdown of bank and other borrowings	5,594,500	5,104,526
Repayment of bank and other borrowings	(3,860,593)	(2,601,386)
Repayment of principal portion on lease liabilities	(6,652)	(5,586)
Repayment of interest portion on lease liabilities	(3,317)	–
Proceeds from issuance of corporate bonds	651,875	716,500
Proceeds from issuance of shares	400,000	–
Settlement of corporate bonds	(1,274,500)	(56,000)
Interest paid	(358,807)	(214,253)
Transactions with non-controlling interests	–	(191,584)
Dividend paid	–	(54,775)
Net cash generated from financing activities	1,145,490	2,697,442
Net (decrease)/increase in cash and cash equivalents	(97,971)	1,506,683
Cash and cash equivalents at beginning of the period	1,313,570	907,123
Effect of foreign exchange rate changes	(26,624)	(52,212)
Cash and cash equivalents at end of the period	1,188,975	2,361,594

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1 GENERAL INFORMATION

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

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

These interim condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These interim condensed consolidated financial statements have been reviewed by audit committee of the Company and approved by the board of directors for issue on 28 August 2020.

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

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

(b) Common control combination

On 19 September 2019, an indirect non-wholly owned subsidiary of the Company (the “Acquiring Subsidiary”) entered into the sale and purchase agreement with Baoneng Real Estate Company Limited (“Baoneng Real Estate”), a company controlled by Mr. Yao Jianhui (“JH Yao”) and Mr. Yao Zhenhua, the elder brother of JH Yao, as concert parties (the “Controlling Parties”), to acquire the entire equity interest of Shenzhen Baoneng Hengchuang Industrial Limited (“Nanning Project Company”) and its subsidiaries (collectively “Nanning Project Group”) at a total consideration of RMB300,000,000 (equivalent to approximately HK\$333,900,000) (the “Nanning Project Acquisition”). Since the Group and Nanning Project Group are controlled by the Controlling Parties as concert parties together before and after the Nanning Project Acquisition, the Nanning Project Acquisition is considered as a combination of businesses under common control. Further details about the Nanning Project Acquisition have been set out in the circular of the Company dated 29 November 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION *(Continued)*

(b) Common control combination *(Continued)*

The Nanning Project Acquisition was completed on 24 December 2019. Upon the completion of the Nanning Project Acquisition, Nanning Project Company became an indirect non-wholly owned subsidiary of the Company. As the Nanning Project Acquisition was regarded as business combinations under common control, the Nanning Project Acquisition have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA.

Under merger accounting, the results of acquisition have been combined from the date when they first came under the control of controlling party. The assets and liabilities of acquisition have been reflected at their existing carrying values at the date of combination. No amount has been recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, has been recorded in merger reserve in equity.

The Acquiring Subsidiary is an indirect wholly owned subsidiary of Glory Sun Land Group Limited ("Glory Sun Land"). On 23 April 2019 (the "Step Acquisition Completion Date"), the Group completed the acquisition of 37.16% additional equity interest in Glory Sun Land (the "Step Acquisition"). As at the Step Acquisition Completion Date, after taking into the pre-existing equity interest in Glory Sun Land held by the Group and the additional equity interest in Glory Sun Land acquired by the Group in the course of the Step Acquisition, Glory Sun Land became the non-wholly owned subsidiary of the Company. Glory Sun Land is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The substantial shareholders of the Company are the Controlling Parties acting in concert; and the Controlling Parties and their associates together hold more than 51% equity interests in the Company.

In this respect, upon the completion of the Step Acquisition, the directors of the Company considered that the Step Acquisition Completion date was regarded as the effective date when both the Nanning Project Group and the Group first came under common control.

Consequently, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the Controlling Parties or the relevant transactions giving rise to the assets or liabilities arose, which is on the Step Acquisition Completion Date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION *(Continued)*

(b) Common control combination *(Continued)*

As a result, the comparative unaudited condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows for the six months ended 30 June 2019 have therefore been restated, in order to include the financial statements of the combining entities since the Step Acquisition Completion Date on which they first come under common control. The impact on the common control combination has already incorporated in the comparative of the condensed consolidated statement of financial position as at 31 December 2019 and no restatement is necessary.

(c) Re-presentation due to discontinued operations

The presentation of comparative information in respect of the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019 has been re-presented in order to disclose the discontinued operations separately from continuing operations. See note 29 for further information.

The re-presentation do not affect the condensed consolidated statement of financial position as at 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION (Continued)

(d) Effect of the restatement and re-presentation of the comparative financial information

Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019:

	Unaudited			
	Six months ended 30 June 2019			
	As previously reported HK\$'000	(c) Effect of discontinued operation HK\$'000 (Note 29(b))	(b) Business combination of entities under common control HK\$'000	As restated and re-presented HK\$'000
Continuing operations				
Revenue	2,012,607	(13,654)	–	1,998,953
Cost of sales	(1,958,241)	28,704	–	(1,929,537)
Gross profit	54,366	15,050	–	69,416
Other gains — net	27,350	1,754	–	29,104
Other income	24,044	(1,972)	30	22,102
Gain on bargain purchase	696,412	–	–	696,412
Loss on remeasurement of pre-existing interest in an associate	(176,869)	–	–	(176,869)
Fair value gain/(loss) on investment properties	138,358	–	(189)	138,169
Impairment losses on contract assets	(164)	–	–	(164)
Distribution costs	(23,478)	2,993	(3,108)	(23,593)
Administrative expenses	(204,969)	11,018	(986)	(194,937)
Profit/(loss) from operations	535,050	28,843	(4,253)	559,640
Finance costs/income — net	(49,386)	(30)	–	(49,416)
Share of results of associates	14,717	–	–	14,717
Profit/(loss) before income tax from continuing operations	500,381	28,813	(4,253)	524,941
Income tax (expense)/credit	(101,636)	30	47	(101,559)
Profit/(loss) for the period from continuing operations	398,745	28,843	(4,206)	423,382
Discontinued operations				
Profit/(loss) for the period from discontinued operations	59,429	(28,843)	–	30,586
Profit/(loss) for the period	458,174	–	(4,206)	453,968

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION (Continued)

(d) Effect of the restatement and re-presentation of the comparative financial information (Continued)

Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019: (Continued)

	Unaudited			
	Six months ended 30 June 2019			
	As previously reported HK\$'000	(c) Effect of discontinued operation HK\$'000 (Note 29(b))	(b) Business combination of entities under common control HK\$'000	As restated and re-presented HK\$'000
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Currency translation differences	(146,041)	–	28,275	(117,766)
Release of exchange reserve upon disposal of subsidiaries	(2,438)	–	–	(2,438)
Share of other comprehensive income of associates	(61,200)	–	–	(61,200)
<i>Item that will not be reclassified to profit or loss:</i>				
Net changes in the fair value of equity instruments designated at FVOCI	(218,969)	–	–	(218,969)
Other comprehensive income for the period	(428,648)	–	28,275	(400,373)
Total comprehensive income for the period	29,526	–	24,069	53,595
Profit/(loss) for the period attributable to:				
Owners of the Company				
— Continuing operations	332,260	24,751	(2,907)	354,104
— Discontinued operations	41,071	(24,751)	–	16,320
	373,331	–	(2,907)	370,424

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION (Continued)

(d) Effect of the restatement and re-presentation of the comparative financial information (Continued)

Effect on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019: (Continued)

	Unaudited			As restated and re-presented HK\$'000
	As previously reported HK\$'000	(c) Effect of discontinued operation HK\$'000 (Note 29(b))	Six months ended 30 June 2019 (b) Business combination of entities under common control HK\$'000	
Non-controlling interests				
— Continuing operations	66,485	4,092	(1,299)	69,278
— Discontinued operations	18,358	(4,092)	–	14,266
	84,843	–	(1,299)	83,544
	458,174	–	(4,206)	453,968
Total comprehensive income for the period attributable to:				
— Owners of the Company	(37,254)	–	16,634	(20,620)
— Non-controlling interests	66,780	–	7,435	74,215
	29,526	–	24,069	53,595
Earnings/(loss) per share — basic and diluted (HK cents)				
— Continuing operations	1.26	0.10	(0.02)	1.34
— Discontinued operations	0.16	(0.10)	–	0.06
	1.42	–	(0.02)	1.40

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION *(Continued)*

(d) Effect of the restatement and re-presentation of the comparative financial information *(Continued)*

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2019:

	Unaudited		
	Six months ended 30 June 2019		
	As previously reported	(b) Business combination of entities under common control	As restated
	HK\$'000	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(1,786,777)	75,066	(1,711,711)
Cash flows from investing activities			
Purchase of property, plant and equipment	(14,556)	(82)	(14,638)
Payment for construction costs of investment properties	(192,885)	(75,054)	(267,939)
Purchase of financial assets at fair value through profit or loss ("FVTPL")	(109,241)	–	(109,241)
Proceeds received from disposal of property, plant and equipment	2,673	–	2,673
Disposal of subsidiaries, net of cash disposed of	(4)	–	(4)
Proceeds received from disposal of financial assets at FVTPL	589,625	–	589,625
Interest received	1,691	–	1,691
Dividend received from other investments	567	–	567
Increase in pledged bank deposits	(10,624)	–	(10,624)
Acquisition of subsidiaries, net of cash acquired	302,312	16,353	318,665
Decrease in time deposits with original maturity over three months	10,177	–	10,177
Net cash generated from/(used in) investing activities	579,735	(58,783)	520,952

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION *(Continued)*

(d) Effect of the restatement and re-presentation of the comparative financial information *(Continued)*

Effect on the condensed consolidated statement of cash flows for the six months ended 30 June 2019: *(Continued)*

	Unaudited		
	Six months ended 30 June 2019		
	As previously reported	(b) Business combination of entities under common control	As restated
	HK\$'000	HK\$'000	HK\$'000
Cash flows from financing activities			
Drawdown of bank and other borrowings	5,104,526	–	5,104,526
Repayment of bank and other borrowings	(2,601,386)	–	(2,601,386)
Repayment of principal portion on lease liabilities	(5,586)	–	(5,586)
Proceeds from issuance of corporate bonds	716,500	–	716,500
Settlement of corporate bonds	(56,000)	–	(56,000)
Interest paid	(214,253)	–	(214,253)
Transactions with non-controlling interests	(191,584)	–	(191,584)
Dividend paid	(54,775)	–	(54,775)
Net cash generated from financing activities	2,697,442	–	2,697,442
Net increase in cash and cash equivalents	1,490,400	16,283	1,506,683
Cash and cash equivalents at beginning of the period	907,123	–	907,123
Effect of foreign exchange rate changes	(51,724)	(488)	(52,212)
Cash and cash equivalents at end of the period	2,345,799	15,795	2,361,594

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2 BASIS OF PREPARATION *(Continued)*

(d) Effect of the restatement and re-presentation of the comparative financial information *(Continued)*

Effect on the condensed consolidated statement of changes in equity for the six months ended 30 June 2019:

	Unaudited		
	Six months ended 30 June 2019		
	As previously reported	(b) Business combination of entities under common control	As restated
	HK\$'000	HK\$'000	HK\$'000
Share capital	2,738,751	–	2,738,751
Share premium	4,470,694	–	4,470,694
Merger reserve	(215,150)	(694,678)	(909,828)
Capital reserves	12,411	–	12,411
Statutory reserve	118,547	13,536	132,083
Treasury share	(70,187)	–	(70,187)
Other reserves	671,572	–	671,572
Financial assets at FVOCI reserve	(2,224,367)	–	(2,224,367)
Exchange reserve	(244,061)	19,541	(224,520)
Retained earnings	2,291,889	(189,580)	2,102,309
Non-controlling interests	3,473,136	(432,684)	3,040,452
Total	11,023,235	(1,283,865)	9,739,370

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3 THE IMPACT OF CORONAVIRUS DISEASE 2019 (“COVID-19 PANDEMIC”)

The outbreak of COVID-19 pandemic and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. In particular, the Group suspended its operation of yacht club and education and training services for a certain portion of time during the period due to the mandatory government quarantine measures in an effort to contain the spread of the COVID-19 pandemic. As such, the financial performance of the segments of yacht club and education were affected in certain aspects, including reduction in revenue and result as disclosed in the relevant note.

The Group may continue to be significantly impacted by the COVID-19 pandemic even after the marine sports base and a sailing school under the segment of yacht club and education are reopened. The timing and extent of a recovery of consumer behaviour and willingness to spend discretionary income on yacht club as well as education and training services may delay the Group's ability to generate significant revenue until such time as consumer behaviour normalises and consumer spending recovers.

The Group updated its recoverability test of the carrying value of the intangible assets under the segment of yacht club and education. In performing its review of recoverability, the Group estimated the discounted future cash flows expected to result from the use of the assets and determined that there was impairment of approximately HK\$131,168,000 (note 13) recorded for the six months ended 30 June 2020. The cash flow estimates used in the review are consistent with management's estimated long-term projections, against which various sensitivity analyses were performed. These estimates would face a serious challenge due to the COVID-19 pandemic, therefore management's estimated cash flows factor in a number of underlying variables and ranges of possible cash flow scenarios. Actual results may materially differ from management's estimates, especially due to the uncertainties associated with the COVID-19 pandemic.

4 ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards, HKAS, and Interpretations.

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

In addition, the Group has early adopted COVID-19-Related Rent Concessions (Amendment to HKFRS 16) ahead of its effective date and adopted the amendment on 1 January 2020. The adoption of these new or revised standards, amendments and interpretations does not have a material impact to the Group's results of operations or financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the interim condensed consolidated financial statements, the management requires to make significant judgements, estimates and assumptions in applying the accounting policies and key sources of estimation uncertainty, other than those summarised in note 3. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

There is significant ongoing uncertainty surrounding the COVID-19 pandemic and the extent and duration of impacts that it may have on operation of yacht club as well as education and training services. There is heightened potential for future credit losses on receivables, impairments of property, plant and equipment and intangible assets. In the current environment, assumptions about results of operation of yacht club as well as education and training services and customer creditworthiness have greater variability than normal, which could in the future significantly affect the valuation of the Group's assets, both financial and non-financial. The Group's cash flow estimates for certain assets are based on a longer time horizon due to the long-term nature of its underlying contracts, allowing time for a recovery of such assets. As an understanding of the long-term impacts of COVID-19 pandemic on the Group's customers and business develops, there is heightened potential for changes in these views over the remainder of 2020.

6 SEGMENT INFORMATION

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

The reportable segments of the Group are as follows:

Continuing operations:

- Automation segment represents the trading of automated production related equipment trading business in Hong Kong and the People's Republic of China (the "PRC");
- Financial Services segment represents regulated business activities in respective to financial services under the Hong Kong Securities and Futures Ordinance in Hong Kong;
- Property Investment and Development segment represents the properties investment activities, property development project and provision of construction works in Hong Kong and the PRC;
- Securities Investment segment represents the investment activities through direct investments in listed and unlisted securities;

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION *(Continued)*

Continuing operations: *(Continued)*

- Trading of Commodities segment represents trading of commodities in the PRC;
- Yacht Club segment represents operation of a yacht club in the PRC;
- Education segment represents provision of education and training services in the PRC; and
- Others segment represents operation of golf practice court and trading of seafood in the PRC.

Discontinued operations:

- Manufacturing segment represents the LED manufacturing of a range of high-technology and new energy products business in the PRC; and
- Provision of Online Game Services segment represents design, development and operation of the mobile and web games and platform services in the PRC.

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

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

The CEO assesses the performance of the operating segments based on a measure of operating, which is in a manner consistent with that of the interim condensed consolidated financial statements. The measurement of segment results excludes the effect of unallocated corporate income and expenses, as these type of activities are managed by central finance and accounting function, which manages the working capital of the Group. In addition, fair value gain on derivative financial assets, gain from derecognition of financial guarantee, share of results of associates, loss on remeasurement on pre-existing interest in an associate, gain on bargain purchase, fair value loss on contingent consideration payable and taxation are not allocated to segments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION (Continued)

In preparing the segment information for the six months ended 30 June 2020, the business relating to operation of a yacht club and provision of education and training services meet the quantitative thresholds of HKFRS 8 Operating Segments and the CEO considered these being as separate reportable segments. Accordingly, the comparative information has been re-presented to conform to current period's presentation.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION (Continued)

	Discontinued operations				Continuing operations								Total HK\$'000
	Manufacturing HK\$'000	Provision of Online Game Services HK\$'000	Sub-total HK\$'000	Automation HK\$'000	Financial Services HK\$'000	Property Investment and Development HK\$'000	Securities Investment HK\$'000	Trading of Commodities HK\$'000	Yacht Club HK\$'000	Education HK\$'000	Others HK\$'000	Sub-total HK\$'000	
									(Re-presented)	(Re-presented)	(Re-presented)		
Six months ended 30 June 2019 (Unaudited) (Restated) (Re-presented)													
Revenue	13,654	37	13,691	336,644	103,079	672,972	(178,047)	1,057,742	6,026	6,294	6,492	2,011,202	2,024,893
Inter-segment revenue	-	-	-	-	(5,289)	(6,960)	-	-	-	-	-	(12,249)	(12,249)
Revenue from external customers	13,654	37	13,691	336,644	97,790	666,012	(178,047)	1,057,742	6,026	6,294	6,492	1,998,953	2,012,644
Segment results	(28,813)	59,429	30,616	24,795	54,771	261,678	(207,195)	2,159	17	(1,987)	(14,349)	119,889	150,505
Unallocated other gains — net													14,151
Unallocated other income													8,936
Loss on remeasurement on pre-existing interest in an associate													(176,869)
Unallocated administrative expenses													(131,073)
Unallocated finance costs — net													(49,937)
Share of results of associates													14,717
Gain on bargain purchase													696,412
Fair value loss on contingent consideration payable													(605)
Gain from derecognition of financial guarantee													27,348
Fair value gain on derivative financial assets													1,972
Profit before income tax													555,557

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

Reportable segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Continuing operations								Total HK\$'000
	Automation HK\$'000	Financial Services HK\$'000	Property Investment and Development HK\$'000	Securities Investment HK\$'000	Trading of Commodities HK\$'000	Yacht Club HK\$'000	Education HK\$'000	Others HK\$'000	
As at 30 June 2020 (Unaudited)									
Segment assets	442,196	2,414,352	24,054,170	249,831	43,869	214,625	206,172	132,796	27,758,011
Unallocated assets:									
Property, plant and equipment									8,434
Investment in an associate									281,384
Financial assets at FVOCI									168,700
Prepayments, deposits and other receivables									142,536
Pledged bank deposits and restricted deposits									556,000
Cash and cash equivalents									389,447
Derivative financial assets									17,345
Others									4,255
Total assets									29,326,112
Segment liabilities	124,542	827,829	15,580,970	216,412	485,234	122,531	117,293	3,281	17,478,092
Unallocated liabilities:									
Accruals and other payables									108,572
Borrowings									1,135,097
Deferred tax liabilities									3,552
Lease liabilities									4,176
Total liabilities									18,729,489

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Discontinued operations			Continuing operations							Total	
	Manufacturing	Provision of Online Game Services	Automation	Financial Services	Property Investment and Development	Securities Investment	Trading of Commodities	Yacht Club	Education	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Re-presented)	(Re-presented)	(Re-presented)		
As of 31 December 2019 (Audited)												
Segment assets	-	-	488,684	2,394,020	23,614,286	670,270	73,148	324,241	266,464	174,026		28,005,139
Unallocated assets:												
Property, plant and equipment												5,543
Investment in an associate												321,780
Financial assets at FVOCI												199,030
Prepayments, deposits and other receivables												4,648
Pledged bank deposits and restricted deposits												556,000
Cash and cash equivalents												333,222
Derivative financial assets												13,753
Total assets												29,439,115
Segment liabilities	-	-	158,624	807,018	14,627,487	226,286	502,401	128,538	143,799	16,304		16,610,457
Unallocated liabilities:												
Accruals and other payables												27,839
Borrowings												1,730,984
Deferred tax liabilities												2,654
Consideration payable												300,620
Lease liabilities												5,290
Total liabilities												18,677,844

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6 SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
— Sale of goods	225,686	332,581
— Sale of properties	388,982	624,391
— Installation and maintenance income	1,866	1,335
— Commission and brokerage income	22,803	29,622
— Management fee and performance fee income	15,496	3,729
— Trading of commodities	1,911,052	1,057,742
— Training services	8,460	6,294
— Yacht club services	262	6,026
— Construction contracts	—	12,517
— Others	39,424	2,068
	2,614,031	2,076,305
Revenue from other sources		
— Securities investment loss	(52,188)	(157,961)
— Interest income from money lending	72,175	46,877
— Rental income	50,117	33,732
	70,104	(77,352)
Revenue from continuing operations	2,684,135	1,998,953
Discontinued operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
— Online game operation (Note 29(a))	—	37
— Sale of goods (Note 29(b))	—	13,654
Revenue from discontinued operations	—	13,691
Timing of revenue recognition		
— At a point in time	2,581,664	2,061,430
— Transferred over time	32,367	28,566
	2,614,031	2,089,996

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7 OTHER GAINS — NET AND OTHER INCOME

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
		(Re-presented)
Continuing operations:		
Other gains — net		
(Loss)/gain on disposal of property, plant and equipment	(1)	293
Fair value loss on contingent consideration payable	—	(605)
Gain from derecognition of financial guarantee	32,972	27,348
Fair value gain on derivative financial assets	3,592	1,972
Others	2,021	96
	38,584	29,104
Other income		
Dividend income	—	567
Consultancy income	3,973	3,463
Other tax refund	79	2,083
Government subsidy	3,102	4,712
Rental income	—	3,153
Others	10,000	8,124
	17,154	22,102
Discontinued operations:		
Other gains — net and other income		
Loss on disposal of property, plant and equipment	—	(1,754)
Government subsidy	—	2,488
Others	—	(486)
	—	248

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8 (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is arrived at after charging/(crediting):

	2020	For the six months ended 30 June		
		2019		Total HK\$'000 (Unaudited) (Restated) (Re-presented)
	Continuing operations HK\$'000 (Unaudited)	Continuing operations HK\$'000 (Unaudited) (Restated) (Re-presented)	Discontinued operations HK\$'000 (Unaudited) (Re-presented)	
Amortisation of intangible assets	21,544	13,947	181	14,128
Acquisition-related costs	–	7,629	–	7,629
Cost of inventories	2,327,731	1,864,363	9,005	1,873,368
Depreciation :				
— Owned property, plant and equipment	12,422	7,317	2,170	9,487
— Right-of-use assets	14,531	5,036	–	5,036
Directors' and chief executive's emoluments (Note 25(a))	6,796	6,970	–	6,970
Employee benefit expenses	82,449	70,626	7,537	78,163
Net foreign exchange losses/(gains)	27,666	46,362	(51)	46,311
Impairment losses/(reversal of impairment losses) on trade receivables	269	1,446	(2)	1,444
(Reversal of impairment losses)/impairment losses on other receivables	(1,234)	1,342	–	1,342
Reversal of impairment losses on loans and advance and margin loans	(416)	(3,559)	–	(3,559)
Impairment losses on contract assets	55,527	164	–	164
Impairment losses on intangible assets	131,168	–	–	–
Written down of inventories	4,146	–	19,699	19,699
Research and development expenses	–	–	2,582	2,582
Short-term lease expenses	1,702	2,962	692	3,654

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9 FINANCE COSTS — NET

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Re-presented)
Continuing operations:		
Finance income		
— Interest income on bank deposits	2,908	3,010
	2,908	3,010
Finance costs		
— Bank loans	(164,661)	(39,973)
— Trust receipt loans	(244)	(268)
— Loans from related parties	(2,046)	—
— Corporate bonds	(73,234)	(15,698)
— Other loans	(128,410)	(94,954)
— Lease liabilities	(3,317)	(494)
— Imputed interest on consideration payable	(8,986)	(5,665)
	(380,898)	(157,052)
Less: Interest capitalised on		
— investment properties under construction	74,420	18,327
— properties under development	165,471	86,299
	(141,007)	(52,426)
Finance costs from continuing operations		
	(138,099)	(49,416)
Discontinued operations:		
Finance income		
— Interest income on bank deposits	—	30

Note: The weighted average capitalisation rate for the six months ended 30 June 2020 on fund's borrowed is at a rate of 5.76% (six months ended 30 June 2019: 9.59%) per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10 INCOME TAX CREDIT/(EXPENSE)

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
		(Re-presented)
Continuing operations:		
Current income tax		
— Hong Kong Profits Tax	(12,289)	(5,900)
— PRC enterprise income tax	(36,835)	(24,588)
— PRC land appreciation tax ("LAT")	(24,879)	(7,960)
	(74,003)	(38,448)
Deferred income tax	140,318	(63,111)
	66,315	(101,559)
Discontinued operations:		
Current income tax		
— PRC enterprise income tax	—	(30)

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 June 2020 and 2019.

The statutory income tax rate applicable to entities operating in the PRC is 25% (for the six months ended 30 June 2019: 25%).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11 EARNINGS PER SHARE

The basic earnings per share for the period is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less treasury shares held by the Group of 30,039,421,000 (2019: 26,359,819,000) during the period. There were no potential dilutive ordinary share outstanding for both periods and therefore the dilutive earnings per share is the same as basic earnings per share.

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Weighted average number of ordinary shares in issue less treasury shares held by the Group during the period for basic earnings per share	30,039,421	26,359,819

(a) From continuing and discontinued operations

The calculation of the basic earnings per share attributable to owners of the Company is based on the following:

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited) (Restated)
Profit attributable to owners of the Company (HK\$'000)	104,882	370,424
Basic earnings per share (expressed in Hong Kong cents per share)	0.35	1.40

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11 EARNINGS PER SHARE (Continued)

(b) From continuing operations

The calculation of the basic earnings per share attributable to owners of the Company from continuing operations is based on the following:

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited) (Restated) (Re-presented)
Profit attributable to owners of the Company (HK\$'000)	104,882	354,104
Basic earnings per share (expressed in Hong Kong cents per share)	0.35	1.34

(c) From discontinued operations

The calculation of the basic earnings per share attributable to owners of the Company from discontinued operations is based on the following:

	For the six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited) (Re-presented)
Profit attributable to owners of the Company (HK\$'000)	N/A	16,320
Basic earnings per share (expressed in Hong Kong cent per share)	N/A	0.06

12 DIVIDEND

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Final dividend paid — Nil (2018: HK0.20) cent per share	—	54,775

No interim dividend was declared by the board of directors for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

Property, plant and equipment

During the six months ended 30 June 2020, the Group incurred expenditures of approximately HK\$24,731,000 (six months ended 30 June 2019 (restated): HK\$14,638,000) on property, plant and equipment.

During the six months ended 30 June 2020, property, plant and equipment with a net book value of approximately HK\$5,000 (six months ended 30 June 2019: HK\$4,134,000) were disposed and approximately of HK\$18,421,000 were disposed through disposal of a subsidiary (six months ended 30 June 2019: HK\$718,000) (Note 28).

Right-of-use assets relating to operating leases and prepaid land lease payments in the PRC are recognised as right-of-use assets and are included in the same line item as property, plant and equipment. During the six months ended 30 June 2020, the Group had addition of approximately HK\$70,592,000 on right-of-use assets (six months ended 30 June 2019: HK\$35,635,000).

As at 30 June 2020, property, plant and equipment with carrying amounts amounted to HK\$135,289,000 (31 December 2019: HK\$137,039,000) have been pledged to secure the Group's borrowings.

Investment properties

During the six months ended 30 June 2020, the Group incurred expenditures of approximately HK\$333,939,000 (six months ended 30 June 2019 (restated): HK\$267,939,000) on investment properties.

During the six months ended 30 June 2020, the Group has recorded a fair value loss on investment properties of approximately HK\$407,401,000 (six months ended 30 June 2019 (restated): fair value gain HK\$138,169,000).

As at 30 June 2020, investment properties with carrying amounts amounted to HK\$3,697,857,000 (31 December 2019: HK\$4,561,551,000) have been pledged to secure the Group's borrowings.

Intangible assets

During the six months ended 30 June 2020, the Group incurred expenditures of approximately HK\$525,000 on intangible assets (six months ended 30 June 2019: Nil).

For the six months ended 30 June 2020, as described in note 3, the global health emergency resulting from the COVID-19 pandemic has led to a significant decline in the demand for the services from the segment of yacht club and education respectively, primarily due to the Group's suffering from enforced marine sports base and sailing school closures. The Group assessed the recoverable amount of the other intangible assets allocated to its respective Cash-Generating Unit ("CGU") and as a result the carrying amount of the other intangible assets was written down to its recoverable amount of approximately HK\$388,081,000. An impairment loss of approximately HK\$131,168,000 was recognised in the condensed consolidated statement of comprehensive income for continuing operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (Continued)

Intangible assets (Continued)

The recoverable amounts of the CGUs related to Shenzhen Dapeng Yacht Club Company Limited ("Dapeng Yacht Club") and Shenzhen Dapeng International Education Company Limited ("Dapeng International Education") have been determined based on value in use calculations, which is arrived at on the basis of valuation carried out by an independent professional valuer. These calculations use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 1%. The growth rates do not exceed the long-term average growth rates for the business in which the CGUs operate. The pre-tax discount rate used is 20.8% for Dapeng Yacht Club and 16.2% for Dapeng International Education respectively.

14 FINANCIAL ASSETS AT FVOCI

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Listed shares		
— Equity securities — Norway	16,092	15,531
— Equity securities — the United States of America	21,751	12,233
— Equity securities — Hong Kong	220,618	420,106
— Equity securities — the PRC	131,336	390,256
	389,797	838,126
Unlisted shares	66,714	66,714
	456,511	904,840

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15 PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

As at 30 June 2020, the carrying amount of properties under development amounting to approximately HK\$2,162,679,000 (31 December 2019: HK\$3,262,134,000) are pledged as securities for bank loans granted to the Group.

As at 30 June 2020, the carrying amount of properties under development approximately HK\$3,105,533,000 (31 December 2019: HK\$1,854,362,000) are pledged as securities for other loans granted to the Group.

As at 30 June 2020, the carrying amount of completed properties held for sale amounting to approximately HK\$476,983,000 (31 December 2019: HK\$57,751,000) are pledged as securities for bank loans granted to the Group.

As at 30 June 2020, the carrying amount of completed properties held for sale amounting to approximately HK\$nil (31 December 2019: HK\$28,172,000) are pledged as securities for other loans granted to the Group.

As at 31 December 2019, the carrying amount of properties under development amounting to approximately HK\$397,037,000 were pledged for provision of financial guarantees to an associated party of a former equity holder of a subsidiary. The financial guarantee had been released and the respective properties under development had been unpledged during the period.

According to the state-owned land use rights grant contract dated in March 2014, a parcel of land in the PRC for the property development project of which certain property under development of approximately HK\$404,292,000 held by a subsidiary namely Yunfu Baoneng Property Limited ("Yunfu Baoneng") was required to be completed by March 2017.

As at 30 June 2020, the development was still under construction. The failure to meet any development milestones contained in the relevant state-owned land use rights grant contract may lead to a daily penalty of 0.01% of the consideration of the state-owned land use rights grant contract in accordance with the terms of the state-owned land use rights grant contract. The Group made submission to the relevant land authority for application of an extension of completion of development on the ground that such delay had been due to various reasons beyond its control. As advised by the Group, there was no formal written notice being served to Yunfu Baoneng by the relevant land authority in respect of the possible breach of the state-owned land use rights grant contract but the relevant land authority had verbally agreed to postpone the completion date to a later date without imposing any penalty.

Up to the date of this report, the Group has been still waiting for the written notice of extension from the relevant land authority. After consultation with the PRC legal advisor and taking into account the current status of the construction, the directors of the Company considered that no provision in respect of the possible breach of the state-owned land use rights grant contract would be required to be recognised as of the end of reporting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16 LOANS AND ADVANCES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Loans and advances (Note (a))	787,696	814,379
Margin loan receivables (Note (b))	380,257	457,924
	1,167,953	1,272,303
Less: Provision for impairment	(3,172)	(3,588)
Loans and advances — net	1,164,781	1,268,715
Less: Non-current portion	—	(78,000)
Current portion	1,164,781	1,190,715

Notes:

- (a) As at 30 June 2020, the loans and advances of approximately HK\$781,406,000 (31 December 2019: HK\$701,460,000) are secured by charges over the properties and listed securities of the borrowers, and/or backed by guarantee. Credit limits are set for borrowers based on the quality of collaterals held and the financial background of the borrower. Collateral values and overdue balances are reviewed and monitored regularly.

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

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

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

As at 30 June 2020, margin loan receivables were secured by securities pledged by the clients to the Group as collaterals with undiscounted market value of HK\$1,294,279,000 (31 December 2019: HK\$1,045,037,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17 TRADE RECEIVABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	295,744	324,550
Less: Provision for impairment	(3,504)	(3,235)
Trade receivables — net	292,240	321,315

For customers of Automation products, a credit period ranging from 30 days to 60 days (31 December 2019: 30 days to 60 days) after acceptance is generally granted with exception of some trade customers where the credit period of 12 to 18 months (31 December 2019: 12 to 18 months) are granted. For customers of Property Investment and Development, the balances are due upon issuance of invoices or within 2 days (31 December 2019: upon issuance of invoices or within 2 days). For customers of provision of education services and operation of yacht club, the Group granted a credit period of 30 days (31 December 2019: 30 days). For customers of trading of commodities, the Group granted a credit period of 10 days (31 December 2019: 10 days). For customers of trading of seafood, the Group granted a credit period ranging from 2 days to 15 days (31 December 2019: 2 days to 15 days).

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0 to 30 days	149,033	147,645
31 to 60 days	16,181	23,027
61 to 90 days	13,168	26,702
91 to 120 days	4,676	13,796
Over 120 days	112,686	113,380
	295,744	324,550

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Utilities and other deposits	18,095	63,944
Consideration receivables	3,321	13,438
Prepayments and other deposits (Note)	4,154,245	3,756,478
Interest receivable	2,996	5,499
Bond receivable	162,900	166,950
Other tax assets	235,451	175,281
Others	348,462	205,004
	4,925,470	4,386,594
Less: Non-current portion	(558,576)	(111,430)
	4,366,894	4,275,164

Note:

As at 30 June 2020, included in prepayments and other deposits of approximately HK\$1,777,997,000 (31 December 2019: HK\$1,753,510,000) represented an amount paid for redevelopment project of land parcels in the PRC designated to a subsidiary of the Company by the local PRC government. The remaining balances substantially represented deposits and prepayment for inventories of properties and investment properties to the contractors.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19 FINANCIAL ASSETS AT FVTPL

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Listed securities:		
— Equity securities – the PRC	2,489	69
— Equity securities – Hong Kong	73,517	120,801
	76,006	120,870
Debt instrument at FVTPL	213,009	7,981
	289,015	128,851

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

20 TRADE AND BILLS PAYABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade payables	3,957,739	4,296,866
Bills payables	29,216	17,064
	3,986,955	4,313,930

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20 TRADE AND BILLS PAYABLES (Continued)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
0 to 30 days	2,829,295	3,720,056
31 to 60 days	26,940	130,368
61 to 90 days	536,473	26,566
91 to 120 days	4,880	38,441
Over 120 days	589,367	398,499
	3,986,955	4,313,930

The credit period of trade payables in relation to trading of commodities is ranged from 10 days to 180 days (31 December 2019: ranged from 10 days to 180 days); the credit period of trade payables in relation to property investment and development is ranged from 7 days to 30 days (31 December 2019: ranged from 7 days to 30 days).

21 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Accrued operating expenses	47,706	78,873
Provision for value-added tax and other taxes in the PRC	75,703	74,013
Deposits received	34,090	34,035
Secured deposits from contractors	317,185	316,253
Payables for construction costs	138,138	109,698
Interest payables	487,253	477,436
Interest payables to a related party (Note 25(b))	–	29
Other payables to a non-controlling interest	43,356	44,558
Other payables to related parties (Note 25(b))	76,248	78,088
Others	293,888	289,497
	1,513,567	1,502,480

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22 BORROWINGS

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Current HK\$'000	Non-current HK\$'000	Current HK\$'000	Non-current HK\$'000
Secured				
Obligations under repurchase agreement	249,900	–	249,000	–
Bank loans	1,707,576	2,393,739	1,735,883	2,286,313
Margin loan	38,472	–	–	–
Trust receipts loans	17,015	–	36,502	–
Notes payable	706,505	–	557,233	–
Other loans	445,034	2,224,671	115,752	1,215,396
	3,164,502	4,618,410	2,694,370	3,501,709
Unsecured				
HK corporate bonds	731,875	–	1,354,500	–
Other loans	810,624	1,115,333	1,768,379	188,933
Loans from related parties (Note 25(b))	16,290	–	38,955	–
PRC corporate bonds	325,800	–	333,900	–
	1,884,589	1,115,333	3,495,734	188,933
	5,049,091	5,733,743	6,190,104	3,690,642

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22 BORROWINGS (Continued)

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

	Bank borrowings		Other borrowings	
	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Within one year or on demand	1,724,591	1,772,385	3,324,500	4,417,719
More than one year, but not exceeding two years	895,059	260,665	2,300,691	500,573
More than two years, but not exceeding five years	1,498,680	2,025,648	1,039,313	903,756
	4,118,330	4,058,698	6,664,504	5,822,048

Bank loans of HK\$1,024,661,000 (31 December 2019: HK\$837,527,000) included in current liabilities and are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

As at 30 June 2020, the effective interest rates of bank and other borrowings ranged from 0% to 16% (31 December 2019: ranged from 0% to 16%).

As at 30 June 2020, bank borrowings were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries (31 December 2019: same); (ii) guaranteed by shareholder of the Company (31 December 2019: same); (iii) shares of subsidiaries (31 December 2019: same); (iv) property, plant and equipment and investment properties of the Group (Note 13); (v) properties under development (Note 15); (vi) completed properties held for sale (Note 15); and (vii) nil in pledged bank deposits (31 December 2019: HK\$46,746,000).

For the six months ended 30 June 2020, the Group has entered into a repurchase agreement whereby listed securities of the Group's margin clients are sold to a third party with a concurrent agreement to repurchase the securities at a specified date. As at 30 June 2020, the aggregate carrying amounts are secured by (i) the listed securities of the Group's margin clients amounted to approximately HK\$223,691,000 (31 December 2019: HK\$227,557,000); (ii) certain financial assets at FVTPL amounted to approximately HK\$106,930,000 (31 December 2019: HK\$19,631,000); (iii) certain financial assets at FVOCI amounted to approximately HK\$35,640,000 (31 December 2019: HK\$43,560,000); and (iv) nil in loans and advance (31 December 2019: HK\$78,000,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22 BORROWINGS *(Continued)*

As at 30 June 2020, approximately HK\$38,472,000 (31 December 2019: Nil) included in margin loans is secured by the Group's certain financial assets at FVTPL amounted to approximately HK\$77,867,000 (31 December 2019: Nil).

As at 30 June 2020, approximately HK\$2,669,705,000 (31 December 2019: HK\$1,331,148,000) included in other loans are secured by (i) shares of subsidiaries (31 December 2019: same); (ii) properties under development (Note 15); (iii) completed properties held for sale (Note 15); (iv) investment properties (Note 13); and (v) guaranteed by a related party, subsidiaries and shareholder of the Company (31 December 2019: same).

As at 30 June 2020, approximately HK\$706,505,000 (31 December 2019: HK\$557,233,000) of notes payable which is secured by a charge over the pledged bank deposits amounted to approximately HK\$745,084,000 (31 December 2019: HK\$586,107,000), interest-free and repayable within 1 year (31 December 2019: same).

As at 30 June 2020 and 31 December 2019, the Group has not breached any of the loan facilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK\$'000
Authorised:		
Ordinary share of HK\$0.10 each		
At beginning of period and end of period	500,000,000	50,000,000
Issued and fully paid:		
At 1 January 2019 (Audited)	25,869,806	2,586,981
Shares issued (Note (a) and (b))	3,917,706	391,770
At 31 December 2019 and 1 January 2020 (Audited)	29,787,512	2,978,751
Shares issued (Note (c))	1,600,000	160,000
At 30 June 2020 (Unaudited)	31,387,512	3,138,751

Notes:

- (a) (i) 1,508,505,611 shares have been issued as consideration shares at a price of HK\$0.315 each upon the completion of the step acquisition from an associate to a subsidiary on 23 April 2019.
- (ii) During the year ended 31 December 2019, the Company issued 9,200,500 shares in total in relation to the acquisition of additional interest in a subsidiary. Details are as follows:
- The share allotment of 254,000 shares amounted to HK\$76,000 was completed on 23 May 2019 and was based on the share price on the completion date of HK\$0.3 per share.
 - The share allotment of 78,000 shares amounted to HK\$22,000 was completed on 28 May 2019 and was based on the share price on the completion date of HK\$0.29 per share.
 - The share allotment of 8,868,500 shares amounted to HK\$2,660,000 was completed on 31 May 2019 and was based on the share price on the completion date of HK\$0.3 per share.
- (b) The share allotment of 2,400,000,000 shares amounted to HK\$600,000,000 was completed on 17 December 2019 at placing price of HK\$0.25 per placing share.
- (c) The share allotment of 1,600,000,000 shares amounted to HK\$400,000,000 was completed on 8 May 2020 at placing price of HK\$0.25 per placing share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

24 CAPITAL AND OTHER COMMITMENTS

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Contracted but not provided for:		
— Property, plant and equipment	—	5,224
— Investment in an associate	240,000	240,000
— Investment properties and property development expenditures	11,398,217	11,300,894
	11,638,217	11,546,118

25 RELATED PARTY TRANSACTIONS

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

In addition to those disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period.

(a) Key management compensation

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Directors' fees	3,073	2,595
Basic salaries, housing allowances, other allowances and benefits in kind	3,688	4,237
Contributions to pension plans	35	138
	6,796	6,970

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

25 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related parties balances

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Interest payables to a related party	(i)	–	29
Other payables to related parties	(i)	76,248	78,088
Loans from related parties	(i)	16,290	38,955
Corporate bonds subscribed by a director of a subsidiary	(ii)	2,000	2,000

Notes:

- (i) A director of the Company, Mr. JH Yao, has significant influence over the related parties.
- (ii) The amount was determined in accordance with the terms of the underlying agreement.

(c) Related parties transactions

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses on loans	(i), (ii)	2,046	11,720
Administrative expenses	(i), (ii)	21	–
Interest expenses on corporate bond	(ii)	83	–

Notes:

- (i) A director of the Company, Mr. JH Yao, has significant influence over the related parties.
- (ii) The amount was determined in accordance with the terms of the underlying agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26 BUSINESS COMBINATION

For the six months ended 30 June 2019

(a) Step acquisition from an associate to a subsidiary

On 17 January 2019, the Group entered into a sale and purchase agreement with three shareholders of Glory Sun Land for the acquisition of 37.18% equity interest in Glory Sun Land. Further to the Company's announcement on 18 March 2019, the equity interest in Glory Sun Land 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 Glory Sun Land's share acquired. Glory Sun Land is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. Glory Sun Land and its subsidiaries are principally engaged in 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 "Completion Date"). As at the Completion Date, Glory Sun Land has become a subsidiary of the Company. The results of Glory Sun Land and its subsidiaries ("Glory Sun Land Group") is consolidated into the Group's financial statements commencing for the Completion Date.

The Group remeasured the fair value of the equity interest in Glory Sun Land its previously held at the Completion Date and recognised a loss of HK\$176,869,000 on the remeasurement of the Group's pre-existing interest in Glory Sun Land and has been recognised to the profit or loss and presented as "Loss on remeasurement of pre-existing interest in an associate" in the condensed consolidated statement of comprehensive income.

Details of the carrying value and fair value of the Group's pre-existing interest in Glory Sun Land Group at the Completion Date are summarised as follows:

	HK\$'000 (Unaudited)
Share of net assets	781,296
Less: Fair value of pre-existing interest	<u>(604,427)</u>
Loss on remeasurement of pre-existing interest in an associate	<u>176,869</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26 BUSINESS COMBINATION *(Continued)*

For the six months ended 30 June 2019

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

The aggregate fair values of the identifiable assets acquired and liabilities assumed of Glory Sun Land Group as at the Completion Date are as follows:

	HK\$'000 (Unaudited)
Property, plant and equipment	189,795
Investment properties	3,083,939
Other intangible assets	749,172
Financial assets at FVOCI	168,001
Derivative financial assets	4,858
Deferred tax assets	45,145
Inventories	7,142,567
Contract assets	284,297
Trade and other receivables	1,470,208
Pledged bank deposits	257,792
Cash and cash equivalents	299,012
Trade and other payables	(2,821,155)
Contingent consideration payable	(56,890)
Consideration payable	(138,231)
Contract liabilities	(817,436)
Borrowings	(5,022,852)
Current tax liabilities	(71,178)
Lease liabilities	(9,294)
Financial guarantees	(46,381)
Deferred tax liabilities	(859,857)
	<hr/>
Total identifiable net assets at fair value	3,851,512
Non-controlling interests	(2,177,166)
	<hr/>
	1,674,346
Treasury shares (Note (a))	70,187
	<hr/>
	1,744,533
	<hr/>
Gain on bargain purchase	664,927
	<hr/>
Satisfied by:	
Consideration shares (Note (b))	475,179
Fair value of pre-existing interest at the Completion Date	604,427
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	1,079,606
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26 BUSINESS COMBINATION *(Continued)*

For the six months ended 30 June 2019

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

Notes:

- (a) As at the Completion Date, Glory Sun Land and its subsidiaries held 222,816,000 shares of the Company and the fair value of the Company's shares held by Glory Sun Land Group was HK\$70,187,000. The fair value of Glory Sun Land and its subsidiaries' interest in the Company was then reclassified to treasury shares.
- (b) The fair value of the 1,508,505,611 shares issued as the consideration paid for the Step Acquisition was amounted to HK\$475,179,000 and was based on the share price on the Completion Date of HK\$0.315 per share.

The fair value of acquired trade and other receivables is HK\$1,470,208,000. The gross contractual amount for trade and other receivables is HK\$1,473,870,000, of which HK\$3,662,000 is expected to be uncollectible.

The Group elected to measure the non-controlling interests in Glory Sun Land at its proportionate share of the acquired net identifiable assets. The amount of non-controlling interests at the Completion Date amounted to HK\$2,177,166,000.

Glory Sun Land Group contributed revenue and a profit of approximately HK\$1,518,674,000 and HK\$80,349,000 to the Group's revenue and profit respectively for the period between the Completion Date and the end of the period.

If the acquisition had been completed on 1 January 2019, total Group's revenue for the period would have been HK\$2,124,272,000 and profit for the period would have been HK\$451,044,000 (assumed that the financial impact on loss on remeasurement of pre-existing interest in an associate and gain on bargain purchase arose from the step acquisition from an associate to a subsidiary remain unchanged). The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

Acquisition-related costs of HK\$7,629,000 have been charged to administrative expense in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26 BUSINESS COMBINATION *(Continued)*

For the six months ended 30 June 2019

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

An analysis of cash flows in respect of the Step Acquisition of Glory Sun Land is as follows:

	HK\$'000 (Unaudited)
Cash and cash equivalents acquired	299,012
Net cash inflows arising from Step Acquisition	299,012

(b) Acquisition of Karsen International Limited (“Karsen International”)

On 31 May 2019, a non-wholly owned subsidiary of the Company completed the acquisition of entire equity interests in 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 aims to expand the business by the Company.

The fair value of the identifiable assets acquired and liabilities assumed of Karsen International as at the completion date of acquisition is as follows:

	HK\$'000 (Unaudited)
Property, plant and equipment	51
Investment properties	408,672
Trade and other receivables	1,790
Cash and cash equivalents	3,300
Borrowings	(174,750)
Trade and other payables	(91,193)
Deferred tax liabilities	(56,385)
Total identifiable net assets at fair value	91,485
Gain on bargain purchase	(31,485)
Total consideration	60,000
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	3,300

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26 BUSINESS COMBINATION *(Continued)*

For the six months ended 30 June 2019

(b) Acquisition of Karsen International Limited ("Karsen International") *(Continued)*

The consideration HK\$60,000,000 has not been paid as at 30 June 2019.

The fair value of the trade and other receivables acquired is HK\$1,790,000 and none of which is expected to be uncollectible.

Karsen International contributed revenue and a loss of approximately HK\$359,000 and HK\$786,000 respectively for the period between the date of acquisition and the end of the period.

If the acquisition had been completed on 1 January 2019, total Group's revenue for the period would have been HK\$2,014,918,000, and profit for the period would have been HK\$454,153,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

27 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The following transactions with non-controlling interests were accounted as an equity transactions as the changes in the Group's ownership interest do not result in a loss of control over its subsidiaries.

- (i) On 10 January 2019, the Group entered into two sale and purchase agreements with two independent vendors to acquire an additional 20% equity interests in each of Affluent Advantage Limited, Proficient Power Limited, Prominent Up Limited, Fast Prestige Limited, Novel Forward Limited, Gigantic Increase Limited, Metro Grow Limited (collectively "Golden Affluent Group") and Stellar Result Limited under the Financial Services segment at a consideration of approximately HK\$223,193,000. The Group's effective interest was changed from 57.6% to 77.6% in Golden Affluent Group and from 80% to 100% in Stellar Result Limited. The Group recognised a decrease in non-controlling interests of approximately HK\$184,880,000 and a decrease in equity attributable to owners of the Company of approximately HK\$38,313,000.
- (ii) Pursuant to the composite offer document issued by the Group and Glory Sun Land on 3 May 2019, the Group had received valid acceptances in respect of a total of 450,888,302 offer shares under the offer, representing approximately 10.81% of the issued share capital of Glory Sun Land as at 3 May 2019. Among the 450,888,302 offer shares, 9,200,500 offer shares were selected share alternative under the offer, being one new Company's share for every offer share while 441,687,802 offer shares were selected cash alternative of HK\$0.435 per offer share. Accordingly, 254,000, 78,000 and 8,868,500 new Company's shares were allotted and issued by the Company on 23 May 2019, 28 May 2019 and 31 May 2019 respectively and cash consideration of approximately HK\$192,134,000 was paid by the Group to the satisfy the cash alternative on 28 May 2019.

Upon the completion of the unconditional mandatory securities exchange offer, the Group recognised a decrease in non-controlling interests of HK\$296,275,000 and an increase in equity attributable to owners of the Company of approximately HK\$101,381,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27 TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

- (iii) On 14 May 2019, Glory Sun Land, a non-wholly owned subsidiary of the Company, allotted and issued 111,548,585 shares to Yue Jin Asia Limited pursuant to the sale and purchase agreement to satisfy the retained consideration for the acquisition. The Group recognised an increase in non-controlling interests of approximately HK\$47,841,000 and a decrease in equity attributable to owners of the Company of approximately HK\$2,062,000.
- (iv) On 24 June 2019, Glory Sun Land, a non-wholly owned subsidiary of the Company, allotted and issue 379,000,000 at subscription price of HK\$0.45 per share to two independent third parties at approximately HK\$170,550,000. Upon the completion of the share allotment, the Group's effective interest in Glory Sun Land decrease from 75.39% to 69.11%. The Group recognised an increase in non-controlling interests of approximately HK\$169,743,000 and an increase in equity attributable to owners of the Company of approximately HK\$807,000.
- (v) On 25 June 2019, an independent third party made a capital injection of RMB1,235,500,000 (equivalent to approximately HK\$1,402,293,000) in a non wholly-owned subsidiary of the Company. The Group recorded an increase in non-controlling interests of approximately HK\$779,875,000 and an increase in equity attributable to owners of the Company of approximately HK\$622,418,000.
- (vi) The Group has control on several private equity investment funds, namely Hunlicar All Weather CTA No.1 Private Equity Investment Fund, Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund, Hunlicar Equity Choice No.1 Private Equity Investment Fund and Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund as at 30 June 2019. During the six months ended 30 June 2019, the change in the Group's interests in the funds are accounted as an equity transactions with non-controlling interest because the changes in the Group's ownership interests do not result in a change in control over these investment funds during the period. Any gain or loss is recognised in equity. The non-controlling interests resulted in a decrease in non-controlling interest of approximately HK\$534,000 and an increase in equity attributable to owners of the Company of approximately HK\$534,000.
- (vii) On 18 June 2020, an independent third party made a capital injection of RMB2,160,000 (equivalent to approximately HK\$2,346,000) in a non wholly-owned subsidiary of the Company. The Group recognised an increase in non-controlling interests of approximately HK\$2,346,000.
- (viii) On 29 June 2020, Proficient Power Limited, a non-wholly owned subsidiary of the Company, allotted and issued 88 ordinary shares to Glory Sun Financial Holdings Limited, a subsidiary of the Company. The Group recognised a decrease in non-controlling interests of approximately HK\$222,000 and an increase in equity attributable to owners of the Company of approximately HK\$222,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

28 DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2020

- (a) On 22 June 2020, the Group disposed of its entire equity interest in He Shan World Fair Electronic Technology Limited for a cash consideration of HK\$382,063,000.

Net liabilities at the date of disposal were as follow:

	HK\$'000 (Unaudited)
Property, plant and equipment	18,421
Investment properties	9,439
Deferred tax assets	181
Cash and cash equivalents	1,802
Trade and other receivables	58
Trade and other payables	(6,243)
Current tax liabilities	(2,501)
Deferred tax liabilities	(98)
Amount due to the Group	(140,230)
Net liabilities disposed of	(119,171)
Gain on disposal of a subsidiary:	
Cash consideration received	382,063
Net liabilities disposed of	119,171
Release of exchange reserve	18,390
	519,624
Net cash inflow arising on disposal:	
Cash consideration received	382,063
Cash and cash equivalents disposed of	(1,802)
	380,261

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

28 DISPOSAL OF SUBSIDIARIES *(Continued)*

For the six months ended 30 June 2019

- (b) On 29 June 2019, the Group disposed of its entire equity interest in Kingworld Holdings Limited ("Kingworld Holdings") for a cash consideration of HK\$1.

Net liabilities at the date of disposal were as follow:

	HK\$'000 (Unaudited)
Property, plant and equipment	718
Cash and cash equivalents	4
Trade and other receivables	15,147
Trade and other payables	(75,794)
Amount due to the Group	(32,839)
Net liabilities disposed of	(92,764)
Release of exchange reserve	(2,438)
Assignment of amount due to the Group	32,839
Gain on disposal of subsidiaries	62,363
Total consideration	—*
Net cash outflow arising on disposal:	
Cash consideration received	—*
Cash and cash equivalents disposed of	(4)
	(4)

* Represents the balance less than HK\$1,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

29 DISCONTINUED OPERATIONS

For the six months ended 30 June 2019

(a) Discontinued operation — Online game operation

On 29 June 2019, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in a non-wholly owned subsidiary, Kingworld Holdings. Kingworld Holdings and its subsidiaries were principally engaged in provision of online game services. Details of the assets and liabilities disposed of and the gain on disposal are as follow:

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
Revenue	37
Cost of sales	(1,468)
Distribution costs	(9)
Administrative expenses	(1,524)
Other income and gains	30
Loss before income tax	(2,934)
Income tax expense	—
Loss after income tax from discontinued operation	(2,934)
Gain on disposal of subsidiaries	62,363
Profit for the period from discontinued operation	59,429
Operating cash flows	(2,390)
Investing cash flows	—
Financing cash flows	—
Total cash flows	(2,390)

A gain of HK\$62,363,000 arose on the disposal of Kingworld Holdings. No tax charge or credit arose from the disposal.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

29 DISCONTINUED OPERATIONS *(Continued)*

For the six months ended 30 June 2019

(b) Discontinued operation — Manufacturing

The Group entered into sale and purchase agreements to dispose of its entire equity interests in two non-wholly owned subsidiaries, Shenzhen Bao Yao Construction Engineering Co. Limited and Bao Yao International Technology on 15 November 2019 and on 30 December 2019 respectively. The subsidiaries were principally engaged in the LED manufacturing of a range of high-technology and new energy products business. The results and cash flows of the discontinued operation of manufacturing business for the six months ended 30 June 2019, were as follows:

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)
Revenue	13,654
Cost of sales	(28,704)
Distribution costs	(2,993)
Administrative expenses	(11,018)
Finance income	30
Other income and gains	218
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Loss before income tax	(28,813)
Income tax expense	(30)
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Loss for the period from discontinued operation	(28,843)
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Operating cash flows	(11,947)
Investing cash flows	6,312
Financing cash flows	11,368
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Total cash flows	5,733
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

30 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

30.1 Fair value estimation

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:

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

The following table presents the Group's financial assets/liabilities that are measured at fair value at 30 June 2020 and 31 December 2019:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2020 (Unaudited)				
Assets				
Financial assets at FVTPL	288,300	715	–	289,015
Financial assets at FVOCI	389,797	–	66,714	456,511
Derivative financial assets				
— put option	–	–	17,345	17,345
	678,097	715	84,059	762,871
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2019 (Audited)				
Assets				
Financial assets at FVTPL	120,870	7,981	–	128,851
Financial assets at FVOCI	838,126	–	66,714	904,840
Derivative financial assets				
— put option	–	–	13,753	13,753
	958,996	7,981	80,467	1,047,444

There were no transfer between level 1, level 2 and level 3 during the period/year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

30 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

30.2 Valuation techniques used to derive level 2 fair values

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

30.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial asset and liabilities:

	Unaudited		
	Financial asset at FVOCI HK\$'000	Derivative financial assets — put option HK\$'000	Total HK\$'000
As at 30 June 2020			
At 1 January 2020	66,714	13,753	80,467
Fair value gain of derivative financial assets — put option recognised in profit or loss	—	3,592	3,592
At 30 June 2020	66,714	17,345	84,059
	Audited		
	Financial asset at FVOCI HK\$'000	Derivative financial assets — put option HK\$'000	Total HK\$'000
As at 31 December 2019			
At 1 January 2019	104,848	—	104,848
Acquisition of a subsidiary	—	4,858	4,858
Fair value gain of financial asset at FVOCI recognised in FVOCI reserve	(38,134)	—	(38,134)
Fair value gain of derivative financial assets — put option recognised in profit or loss	—	8,895	8,895
At 31 December 2019	66,714	13,753	80,467

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

30 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

30.3 Fair value measurements using significant unobservable inputs (level 3) (Continued)

Description	Fair value		Unobservable Inputs Valuation technique(s)	Range (weighted average)		Range (weighted average)		Relationship of unobservable inputs to fair value
	30 June 2020 (HK\$'000) (Unaudited)	31 December 2019 (HK\$'000) (Audited)		30 June 2020	31 December 2019	30 June 2020	31 December 2019	
Equity security	23,334	23,334	Market comparable approach using equity allocation method	Volatility	Volatility	35%	35%	The higher the volatility, the higher the fair value
Equity security	37,212	37,212	Market comparable approach using equity allocation method	Volatility	Volatility	35%	35%	The higher the volatility, the higher the fair value
Equity security	6,168	6,168	Combination of cost approach and market comparable approach using equity allocation method	Volatility	Volatility	40%	40%	The higher the volatility, the higher the fair value
Derivative financial assets — Put option	17,345	13,753	Income approach	Glory Sun Land's share price	Glory Sun Land's share price	HK\$0.01	HK\$0.01	The higher the share price, the higher the fair value
				Fair value of the acquired company	Fair value of the acquired company	1%	1%	The higher the fair value of acquired company, the lower the fair value

30.4 Group's valuation processes

At each of the reporting date, the finance department reviews all significant unobservable inputs and valuation adjustments used to measure the fair value of financial instruments in level 3. Changes in level 2 and 3 fair values are analysed at each reporting date. As part of that discussion, the finance department presents a report that explains the reasons for the fair value movements.

30.5 Fair values of financial assets and liabilities measured at amortised cost

The fair value of financial asset and liabilities measured at amortised cost approximate their carrying amounts.

31 EVENTS AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 pandemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC and Hong Kong. In light of this, the Group has considered the potential impact of COVID-19 pandemic on this interim condensed consolidated financial statements as at 30 June 2020 and for the period then ended, in particular the impact on the recoverable amounts on other intangible assets where significant management judgement has been exercised. The Group will continue to pay close attention to the development of the outbreak of COVID-19 pandemic and evaluate its impact on its operation.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND MARKET OVERVIEW

Since the beginning of 2020, the global economy has been dampened by the outbreak of the coronavirus disease (the "COVID-19"). The continuous spreading of the COVID-19 has had a significant impact on the economic development of countries around the world. In response to the impact of the COVID-19, all countries have adopted travel restrictions and lockdown measures. Global business activities have shrunk critically.

The escalation of the confrontation on the trade dispute between China and the United States of America (the "US") has been creating uncertainties to the international business environment. Notwithstanding that a trade deal was signed between China and the US, the Sino-US conflicts have not put to an end owing to the situation of the COVID-19 in the US. Since June 2019, Hong Kong has been facing challenges posed by social unrest. The COVID-19 which shows no signs of stabilisation, along with the uncertainties caused by the Sino-US trade war and social unrest, sent the Hong Kong economy into a recession. During the Period, both the global and Hong Kong's economy were adversely affected.

Notwithstanding that the Group expects that its operations and financial conditions will inevitably be affected by the aforesaid factors and the tough and challenging market condition may persist over a period of time, it strongly believes that the business of the Group is viable and sustainable and remains optimistic about the prospect of the business operations in the long run. Looking forward, the Group will continue to explore business opportunities for its business segments so as to generate higher value for the shareholders of the Company (the "Shareholders").

BUSINESS REVIEW

Financial Services Business

Financial services business is the core business which the Group treats as the focus of development. The Group holds the licences granted by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. It also holds a private equity fund licence in Shanghai and the QFLP licence in the Qianhai free trade zone in Shenzhen, enabling it to provide comprehensive onshore/offshore securities trading and financial services.

In the first half of 2020, the Group continued to commit to the financial technology business by investing in information technology infrastructure and exploring the synergetic effect among various resources and securities, investment, investment banks as well as asset management platforms to provide investors with reliable and comprehensive services. It will continue to leverage the reliance upon mainland China while engaging with its business development in the world and make better use of the benefits of regional synergetic effect in Guangdong-Hong Kong-Macau Greater Bay Area by virtue of its professional financial service platform to customise appropriate investment portfolios for clients to better capture market opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Securities Brokerage and Margin Financing Business

In order to cope with the business development, Glory Sun Securities Limited ("GSSL"), a subsidiary of the Company engaged in the provision of securities brokerage and margin financing business has actively through multiple channels published market analyses and commercials and has received a sound market response. The contents of the commercials have been optimised and clients, therefore, can have a better understanding of the brokerage and margin financing business together with its products and services. The Group's corporate image and brand awareness have been enhanced.

Corporate Finance Business

During the Period, GSSL acted as sponsor in an initial public offering (IPO) project and as compliance advisor for a listed company. It also acted as a joint bookrunner in listed securities and bonds underwriting projects. The corporate finance business contributed not only income to the Group but also a broadened client base and corporate visibility in the capital market, laying a foundation for continuous business development. The corporate finance team is devoted to assisting investors and potential clients in seizing each and every new economic opportunity arising in the financial market.

Asset Management Business

Glory Sun Asset Management Limited ("GSAM"), a subsidiary of the Company, offered securities advisory and asset management services to high net worth individuals, corporations, funds as well as family trusts by way of fund management or discretionary investment account in Hong Kong. As of the date of this report, it is acting as the investment manager for two segregated portfolio company funds with five segregated portfolios. As at 30 June 2020, the total assets under management of all the funds and discretionary accounts amounts to approximately HK\$1,090.0 million.

GSAM will continue to place its attention on the Asian market to explore sales channels and improve its research and investment capabilities to enhance the performance of the funds under its management. In order to manage the gradual increase in the size of the portfolio of products available, GSAM will continue to consolidate and expand its sales force and launch new products to its clients.

Money-lending Business

Glory Sun Credit Limited ("GSCL"), a subsidiary of the Company engaged in money-lending business in Hong Kong, holds a money lender's licence and is a member of TransUnion Limited. Although the business and investment environment in Hong Kong are highly competitive and volatile, GSCL will continue to optimise its credit business structure for the provision of a diversified and convenient collateral credit service to its clients. In light of the business environment under the COVID-19, GSCL has increased its resources in online advertisements and has extended its promotions with a view to support small and medium enterprises to survive the pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Wealth Management Business

Glory Sun Wealth Management Limited ("GSWM"), a subsidiary of the Company engaged in the provision of products and advisory services in the field of life insurance, immigration, pension funds and real estate property etc. It holds the licences issued by the Insurance Authority and Mandatory Provident Fund Schemes Authority (MPFA). During the Period, GSWM organised seminars to provide advice on immigration and insurance matters. In light of the COVID-19, wealth management team has meet clients on an individual basis in order to avoid mass gatherings. Looking forward, GSWM will allocate more resources on optimising its sales force and providing training with a view to improving sales performance.

Precious Metal Trading Business

Glory Sun Bullion Limited, a subsidiary of the Company, is a member of the Chinese Gold and Silver Exchange Society, holding the qualification as A1 membership under operation status with permission to engage with the businesses of 99 Gold, HKD Kilo Gold, London Gold/Silver and Loco Silver. It is dedicated to providing its 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 rendering its services of investment management and investment advisory for them to capture investment opportunities with the access to the up-to-date market information received from the market.

Property Investment and Development Business

The Group's property investment and development segment has been under rapid development and expansion in recent years. It is engaged in property projects in various major cities in mainland China, including Shenzhen, Shantou, Shenyang, Changchun, Changsha, Ganzhou, Yunfu, Weinan and Nanning, covering product formats including Grade A office buildings, commercial buildings, multi-storey and high-rise residences, garden houses, hotels, commercial apartments and villas. With a continual increase in resources allocated to projects exploration both in Greater Bay Area and the major development areas as specified by the Chinese government, the Group expects that its land reserves, saleable commodity values and sales revenue will continue to soar quickly.

With a long-standing management and control mechanism, the property prices remained at a steady and healthy level. However, the emergence of COVID-19 and the corresponding measures regarding isolation and quarantine and pedestrian flow control inevitably had an effect on the recent sales of residential buildings. In the medium and long term, the real estate market will be able to be resilient to healthy and stable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

The Group holds certain quality offices and a residential property in Hong Kong for capital appreciation purposes. Despite the fact that real estate market in Hong Kong is subject to a period of adjustment due to COVID-19 and social unrest, the Group believes that Hong Kong will be able to overcome difficulties and challenges with confidence in the long-term development.

Shenzhen

The second phase of Baoxin Technology Park (the "Park") garnered the attention from a great number of clients since the commencement of lease available to the public. The tenants included enterprises listed on the main board of Shenzhen Stock Exchange, enterprises recognised as world's top-500 enterprises, enterprises recognised as top-100 industrial of Shenzhen Municipality, hi-new tech enterprises at state level and various brands of lifestyle products which have settled in the Park. The third phase of the Park is under construction and is expected to be completed in 2022.

Shantou

In June 2020, certain property units of Shantou Chaoyang Phase II have been delivered to owners for occupancy.

Shenyang

In May 2020, the Group acquired a piece of residential land in Shenhe District, Shenyang City of approximately 11,000 square meters, at the total consideration of RMB599 million. The planned construction gross floor area is approximately 75,000 square meters, which can be developed into two 33-storey high-rise residences and one 3-storey commercial complex.

Ganzhou

During the Period, in order to address the situations of fierce competition in the apartment market, the incessant promotional sales of competing market commodities and a planned launch of a large number of new units to the market, Baoneng Plaza and Baoneng Taigu Plaza speeded up the sale of the completed units.

Weinan

In May 2020, certain property units of Weinan Project Phase I was open for sale. The sales rate at the same day was up to 48% which were much higher than that of other real estate enterprises in the market, making it the sales champion in Weinan real estate market during the epidemic.

Nanning

In May 2020, certain property units of Nanning Premium Residential Project Phase III were officially launched for sale. As result of adequate preliminary preparation and the advantages of strong project residence products which contributed to sufficient customer reserves in the early stage, the project achieved excellent sales within a short period.

MANAGEMENT DISCUSSION AND ANALYSIS

Automation Business

Gallant Tech Limited ("Gallant Tech"), a wholly-owned subsidiary of the Company, and its subsidiaries (collectively "GT 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 the first quarter of 2020, the customers of Gallant Tech were affected by the Sino-US trade war and the COVID-19. Manufacturing process of its customers had been slow down and its procurement plan of SMT machines had to be postponed. In the second quarter, the sales orders gradually recovered as a result of the resumed procurement plan of SMT machines from its customers.

Although some factories in the PRC has resumed production, their consumption has yet to be recovered to the previous level. Instead of acquiring new SMT machines, these customers are more inclined to lease used machines. As the lease market has largely been shared by some major companies, Gallant Tech is committed to putting more effort in enlarging its market share by way of provision of more differentiate products and services and exploring new markets such as new energy automobile industry.

Securities Investments

Due to the uncertainties and volatilities during the Period, the Group continues to maintain a balanced investment portfolio focusing on the shares with sound foundations as well as continuing record of dividend payment. It will explore undervalued companies and the dividend-attached stocks such that it can better withstand the current and potential market pressure. It notes that the global financial markets are subject to violent turmoil with the impact of the COVID-19 and its results of securities investments may be affected.

PROSPECT

With the immense risks and challenges arising out of trade disputes and the widespread of the COVID-19 imposed to the global economies, the economic growth in mainland China and Hong Kong will inevitably be affected.

With a view to stabilising the economic development, relief measures have been launched both in mainland China and Hong Kong. The Quantitative Easing Monetary Policy is launched by the government in the PRC after the Chinese New Year with an aim to provide the financial institutions in the banking industry with a reasonable and sufficient liquidity support. The Ministry of Industry and Information Technology in the PRC has also launched various measures to support the business resumption of small, medium and micro enterprises. The government of Hong Kong has also launched a series of counter cyclical measures to support the economy. We believe the COVID-19 has a temporary effect on the operations of the Group. After the mitigation of such epidemic, we expect that our operations will be resilient to recovery to achieve the business goals set out at the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has formulated a series of measures to tackle the issues caused by the COVID-19 including the sluggish offline sales arising from the temporary suspension of land transactions and operation of property sales offices and the pressure imposed to property market because of the heavy capital already invested in the temporarily suspended businesses in certain cities in the PRC. It has promoted the use of online channels such as streaming live videos of site visit to the properties.

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

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

REVIEW OF RESULTS AND OPERATIONS

The Group has 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; (vi) yacht club; and (vii) education. For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$2,684.1 million, representing an increase of 34.3% when compared with that of 2019. The profit attributable to owners of the Company amounted to approximately HK\$104.9 million, representing a decrease of 71.7% when compared with that of 2019.

Financial Services

For the six months ended 30 June 2020, the financial services segment netted approximately HK\$122.2 million in revenue (30 June 2019: approximately HK\$97.8 million), which is up 24.9% year-on-year and equivalent to 4.6% of the Group's total revenue (30 June 2019: 4.9%). The operating profit amounted to approximately HK\$74.0 million (30 June 2019: approximately HK\$54.8 million), representing a year-on-year increase of 35.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Property Investment and Development

The Group has been devoted to property investment and development in recent years. It is operating several property projects in the PRC. For the six months ended 30 June 2020, the property investment and development segment contributed a revenue of approximately HK\$436.3 million (30 June 2019: approximately HK\$666.0 million), accounting for 16.3% of the Group's total revenue (30 June 2019: 33.3%). The operating profit reached approximately HK\$139.9 million (30 June 2019: approximately HK\$261.7 million). The decrease in revenue is mainly due to the decrease in recognition of sales of properties in mainland China in relation to the late delivery to owners for occupancy as affected by the outbreak of the COVID-19.

Automation

For the six months ended 30 June 2020, the revenue of automation segment decreased by 30.0% to HK\$235.7 million (30 June 2019: approximately HK\$336.6 million), accounting for 8.8% of the Group's total revenue (30 June 2019: 16.9%). The operating profit decreased by 33.9% to approximately HK\$16.4 million (30 June 2019: approximately HK\$24.8 million). The decrease in revenue is mainly due to the effect of the outbreak of COVID-19.

Securities Investment

The 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 current financial market. During the Period, the securities investment business has generated a loss of approximately HK\$63.9 million (30 June 2019: approximately HK\$178.0 million). The operating loss of the segment amounted to approximately HK\$80.7 million (30 June 2019: approximately HK\$207.2 million).

Trading of Commodities

For the six months ended 30 June 2020, the trading of commodities segment contributed a revenue of approximately HK\$1,911.0 million (30 June 2019: approximately HK\$1,057.8 million), accounting for 71.2% of the Group's total revenue (30 June 2019: 52.9%).

Yacht Club

For the six months ended 30 June 2020, the yacht club segment recorded a revenue of approximately HK\$3.0 million (30 June 2019: approximately HK\$6.0 million), accounting for 0.1% of the Group's total revenue (30 June 2019: 0.3%).

Education

For the six months ended 30 June 2020, the education segment recorded a revenue of approximately HK\$8.5 million (30 June 2019: approximately HK\$6.3 million), accounting for 0.3% of the Group's total revenue (30 June 2019: 0.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing operations

Revenue

The Group's revenue for the six months ended 30 June 2020 increased by 34.3% to approximately HK\$2,684.1 million (30 June 2019: approximately HK\$1,999.0 million). The revenue analysis by segment is presented as follows:

	For the six months ended 30 June				
	2020 HK\$' million	Proportion to total revenue	2019 HK\$' million (Restated)	Proportion to total revenue	% change
Automation	235.7	8.8%	336.6	16.9%	-30.0%
Financial Services	122.2	4.6%	97.8	4.9%	+24.9%
Property Investment and Development	436.3	16.3%	666.0	33.3%	-34.5%
Securities Investment	(63.9)	(2.4)%	(178.0)	(8.9)%	+64.1%
Trading of Commodities	1,911.0	71.2%	1,057.8	52.9%	+80.7%
Yacht Club	3.0	0.1%	6.0	0.3%	-50.0%
Education	8.5	0.3%	6.3	0.3%	+34.9%
Others	31.3	1.1%	6.5	0.3%	+381.5%
	2,684.1	100.0%	1,999.0	100.0%	+34.3%

During the Period, the trading of commodities and property investment and development segments were the major source of revenue for the Group, accounting for 71.2% and 16.3% of total revenue, respectively.

Gross Profit and Margin

The gross profit increased by 250.4% to approximately HK\$243.2 million (30 June 2019: approximately HK\$69.4 million), while the gross profit margin increased to 9.1% (30 June 2019: 3.5%). The change was mainly due to the decrease in fair value loss from securities investment, the increase in income from financial services business and the improved gross profit margin from sales of properties as compared with the corresponding period of 2019.

Other Gains — Net

The net other gains for the period was approximately HK\$38.6 million (30 June 2019: net other gains of approximately HK\$29.1 million). This was primarily because of the gain from derecognition of financial guarantee of approximately HK\$33.0 million (30 June 2019: approximately HK\$27.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income decreased by 22.2% to approximately HK\$17.2 million (30 June 2019: approximately HK\$22.1 million).

Distribution Costs

The distribution costs increased by 80.5% to approximately HK\$42.6 million (30 June 2019: approximately HK\$23.6 million), accounting for 1.6% (30 June 2019: 1.2%) of the total revenue.

Administrative Expenses

The administrative expenses decreased by 2.4% to approximately HK\$190.2 million (30 June 2019: approximately HK\$194.9 million). The decrease was due to the effective implementation of cost control policy to reduce the routine administrative expenses.

Finance Costs — Net

The net finance costs was approximately HK\$138.1 million (30 June 2019: net finance costs of approximately HK\$49.4 million). The increase in net finance costs was because of an increase in working capital financing in relation to the increase in the general level of borrowing.

Income Tax Credit/(Expense)

The income tax credit was approximately HK\$66.3 million (30 June 2019: income tax expense of approximately HK\$101.6 million) due to the substantial decrease in deferred tax expenses derived from the revaluation of properties.

Discontinued operations

During the six months ended 30 June 2019, the Group disposed of its online game services business in the PRC and recognised profit from discontinued operation of approximately HK\$59.4 million.

Due to the disposal of manufacturing business in the PRC in late 2019, 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 2019 has been represented under discontinued operations, with a loss of approximately HK\$28.8 million.

Profit Attributable to Owners of the Group

The profit attributable to owners of the Group decreased by 71.7% to approximately HK\$104.9 million (30 June 2019: approximately HK\$370.4 million). The decrease was mainly due to the fair value loss on investment properties of approximately HK\$407.4 million (30 June 2019: fair value gain of approximately HK\$138.2 million) and impairment losses on intangible assets of approximately HK\$131.2 million (30 June 2019: nil), which was offset by a gain on disposal of a subsidiary of approximately HK\$519.6 million (30 June 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

By adopting a prudent financial management approach, the Group continued to maintain a healthy financial position with a good cash flow. As at 30 June 2020, the Group's cash and cash equivalents totaled approximately HK\$1,189.0 million (31 December 2019: approximately HK\$1,313.6 million). Working capital represented by net current assets amounted to approximately HK\$6,537.8 million (31 December 2019: approximately HK\$4,235.6 million). Current ratio was approximately 1.6 (31 December 2019: approximately 1.3). The gearing ratio, which is calculated at borrowings divided by net asset value, was 101.8% (31 December 2019: 91.8%).

The borrowings of the Group as at 30 June 2020 included corporate bonds of approximately HK\$1,057.7 million (31 December 2019: approximately HK\$1,688.4 million), trust receipt loans of approximately HK\$17.0 million (31 December 2019: approximately HK\$36.5 million), bank loans of approximately HK\$4,101.3 million (31 December 2019: approximately HK\$4,022.2 million) and other loan of approximately HK\$5,606.8 million (31 December 2019: approximately HK\$4,133.6 million).

Capital Commitments

As at 30 June 2020, the Group had contracted but not provided for capital and other commitments of approximately HK\$240.0 million, HK\$11,398.2 million and nil (31 December 2019: approximately HK\$240.0 million, HK\$11,300.9 million and HK\$5.2 million) related to the investment in an associate; investment properties and property development expenditures; and property, plant and equipment, respectively.

Charge of Assets

As at 30 June 2020, properties for sale under development, properties held for sale, investment properties and property, plant and equipment with the carrying amount of approximately HK\$5,268.2 million (2019: approximately HK\$5,116.5 million), HK\$477.0 million (31 December 2019: approximately HK\$85.9 million), HK\$3,697.9 million (31 December 2019: approximately HK\$4,561.6 million) and HK\$135.3 million (31 December 2019: approximately HK\$137.0 million), respectively, are pledged as security for the Group's borrowings.

As at 30 June 2020, certain financial assets at fair value through profit or loss with a carrying amount of approximately HK\$184.8 million (31 December 2019: approximately HK\$19.6 million), financial assets at fair value through other comprehensive income with a carrying amount of approximately HK\$35.6 million (31 December 2019: approximately HK\$43.6 million) and the listed securities of the Group's margin clients amounted to approximately HK\$223.7 million (31 December 2019: approximately HK\$227.6 million) were pledged to secure the borrowings of the Group.

As at 30 June 2020, the pledged bank deposits and restricted deposits amounted to approximately HK\$745.1 million (31 December 2019: approximately HK\$632.9 million) was pledged to banks to secure the borrowings and notes payable granted to the Group for the real estate business.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Exposure and Management

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

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

Future Plans for Capital Investment and Expected Source of Funding

The Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow and shareholders' equity and banking facilities. When the Group considers that there are funding needs for the expansion of its businesses and development of new businesses, it will explore possible fund raising methods, such as debt financing, placing of new shares and issuance of corporate bonds.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 966 full-time employees mainly in Hong Kong and mainland China (31 December 2019: 1,020 full-time employees). The Group remunerates and provides benefits to its employees based on current industry practice. Discretionary bonuses are awarded to staff members based on the financial performance of the Group and the performance of the individual employee.

In addition, share options will be granted to eligible employees in accordance with the terms of the Company's share option scheme adopted on 2 June 2020.

Events after the Reporting Period

Other than those disclosed elsewhere in this report, the Group had no significant event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Key Risks and Uncertainties

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

Operational Risk

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

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

Industry Risk

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Risk

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

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

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

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

Manpower and Retention Risk

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

Business Risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

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\$899.4 million of which had been utilised as follows:

	HK\$' million
1. Provision of brokerage service and corporate finance	
(i) securities brokerage and margin financing; and	130.0
(ii) investment	39.4
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	300.0
	899.4

Save for the HK\$100.0 million dedicated to the corporate finance division which has yet been utilised, all net proceeds of the Share Subscription have been used for the intended uses as set out in the Circular. The unutilised net proceeds was deposited with the banks in Hong Kong.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019 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 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of 30 June 2020, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Interests and short positions in 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 30 June 2020 (Note 1)
Yao Jianhui	Beneficial owner	44,468,000 (L)	15,062,227,600 (L)	47.99
	Interest in controlled corporation	15,017,759,600 (L) (Note 2)		

Note 1: As at 30 June 2020, the total issued share capital of the Company amounted to 31,387,512,211 shares.

Note 2: As at 30 June 2020, these shares were beneficially owned by (i) Tinmark Development Limited being interested in 10,494,943,600 shares in the Company, (ii) Bao Xin Development Limited being interested in 4,300,000,000 shares in the Company, and (iii) Qianhai Glory Sun Group Limited being interested in 222,816,000 shares in the Company respectively. As (i) Tinmark Development Limited is wholly owned by Mr. Yao Jianhui ("Mr. Yao"), (ii) Bao Xin Development Limited is wholly owned by Bao Xin International Group Limited, which in turn is wholly owned by Tinmark Development Limited, and (iii) Qianhai Glory Sun Group Limited is controlled by Tinmark Development Limited, Mr. Yao as the chairman of the Company is deemed to be interested in the shares owned by Tinmark Development Limited by virtue of the SFO.

Abbreviations: "L" stands for long position

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE ASSOCIATED CORPORATION OF THE COMPANY**Interests and short positions in shares and underlying shares of Glory Sun Land Group Limited, an associated corporation 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 30 June 2020 (Note 1)
Yao Jianhui	Beneficial owner Interest in controlled corporation	1,314,000 (L) 3,144,544,700 (L) (Note 2)	3,145,858,700 (L)	69.14
Li Minbin	Beneficial owner	306,500 (L)	306,500 (L)	0.01
Zhang Chi	Beneficial owner	1,220,000 (L)	1,220,000 (L)	0.03

Note 1: As at 30 June 2020, the total issued share capital of Glory Sun Land Group Limited amounted to 4,550,104,797 shares.

Note 2: As at 30 June 2020, these shares were beneficially owned by (i) Hong Kong Bao Xin Asset Management Limited being interested in 2,266,263,913 shares in Glory Sun Land Group Limited, (ii) Hong Kong Bao Kai Assets Holdings Limited being interested in 857,151,739 shares in Glory Sun Land Group Limited, and (iii) Glory Sun Securities Limited being interested in 21,129,048 shares in Glory Sun Land Group Limited respectively. As (i) Hong Kong Bao Xin Asset Management Limited and Hong Kong Bao Kai Assets Holdings Limited are wholly-owned subsidiaries of the Company, (ii) Glory Sun Securities Limited is a non-wholly owned subsidiary of the Company in which the Company holds an effective interest of 89.94%, and (iii) Mr. Yao is a controlling shareholder (as defined in the Listing Rules) of the Company, Mr. Yao is deemed to be interested in the shares in Glory Sun Land Group Limited held by the Company by virtue of the SFO.

Abbreviations: "L" stands for long position.

Save as disclosed above, as of 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the six months ended 30 June 2020.

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

As at 30 June 2020, so far as is known to the Directors, the following, not being a Director or the chief executives of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision 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:

Interests and short positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests in shares are held	Number of shares held	Approximate percentage of shares in issue as at 30 June 2020 (Note 1)
Tinmark Development Limited	Beneficial owner	10,494,943,600 (L)	33.44
	Interest in controlled corporation	4,522,816,000 (L)	14.41
Bao Xin International Group Limited	Interest in controlled corporation	4,522,816,000 (L)	14.41
Bao Xin Development Limited	Beneficial owner	4,300,000,000 (L)	13.70
	Interest in controlled corporation	222,816,000 (L)	0.71
Glory Sun Financial Group Limited	Interest in controlled corporation	222,816,000 (L)	0.71
GREAT SPHERE DEVELOPMENTS LIMITED	Interest in controlled corporation	222,816,000 (L)	0.71
Bao Xin International Asset Management Limited	Interest in controlled corporation	222,816,000 (L)	0.71

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Capacity in which interests in shares are held	Number of shares held	Approximate percentage of shares in issue as at 30 June 2020 (Note 1)
Hong Kong Bao Xin Asset Management Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Bao Kai Assets Holdings International Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Hong Kong Bao Kai Assets Holdings Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Glory Sun Financial Holdings Limited	Interest in controlled corporation	222,816,000 (L)	0.71
GOLDEN AFFLUENT LIMITED	Interest in controlled corporation	222,816,000 (L)	0.71
PROFICIENT POWER LIMITED	Interest in controlled corporation	222,816,000 (L)	0.71
Glory Sun Securities Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Glory Sun Land Group Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Glory Sun Investment Holdings Limited	Interest in controlled corporation	222,816,000 (L)	0.71
Qianhai Glory Sun Group Limited	Beneficial owner	222,816,000 (L)	0.71
前海人壽保險股份有限公司	Beneficial owner	4,219,560,000 (L)	13.44
Taiping Assets Management (HK) Company Limited	Investment manager	4,219,560,000 (L) (Note 2)	13.44

Note 1: As at 30 June 2020, the total issued share capital of the Company amounted to 31,387,512,211 shares.

Note 2: Taiping Assets Management (HK) Company Limited is an investment manager of 前海人壽保險股份有限公司, and is thus deemed to be interested in such shares.

Abbreviations: "L" stands for long position.

Save as disclosed above, as of 30 June 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Treasury Shares

On 23 April 2019, the Group completed the acquisition of Glory Sun Land Group Limited and Glory Sun Land Group Limited became a subsidiary of the Company. As Glory Sun Land Group Limited and its subsidiaries held 222,816,000 shares of the Company at completion, such shares held by Glory Sun Land Group Limited and its subsidiaries were reclassified as treasury shares.

SHARE OPTION SCHEME OF THE COMPANY

Since the share option scheme (the "2010 Share Option Scheme") adopted by the Company on 24 November 2010 will expire on 23 November 2020, at the annual general meeting of the Company held on 2 June 2020, ordinary resolution was proposed to approve the adoption of a new share option scheme (the "2020 Share Option Scheme") and termination of the 2010 Share Option Scheme. The resolution was approved by the Shareholders and the 2020 Share Option Scheme became effective for a period of 10 years commencing on 2 June 2020. The major terms of the 2020 Share Option Scheme were summarised as follows:

(a) Purpose of the 2020 Share Option Scheme

The purpose of the 2020 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company's businesses; (ii) to provide additional incentives to full-time or part-time employees, executives, officers or directors of the Company or its subsidiaries and any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or its subsidiaries; and (iii) to promote the long term financial success of the Company by aligning the interests of option holders to its shareholders.

(b) Participants of the 2020 Share Option Scheme

Pursuant to the 2020 Share Option Scheme, the Company may at its absolute discretion grant options to any employee of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of shares available for issue under the 2020 Share Option Scheme

As at the date of this report, the total number of shares of the Company available for issue under the 2020 Share Option Scheme is 3,138,751,221, representing approximately 10% of the entire issued share capital of the Company as of the date of this report.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of Shares in issue, unless approved by the Shareholders in the manner as stipulated in the 2020 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2020 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2020 Share Option Scheme.

(f) The subscription price per Share

The subscription price per share in respect of an option granted under the 2020 Share Option Scheme is such price as determined by the Board at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a Share on the date on which the options are offered.

(g) Payment on acceptance of option

A non-refundable sum of HK\$1 or other amount as determined by the Board by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(h) Duration of the 2020 Share Option Scheme

The 2020 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 2 June 2020). The 2020 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the Shareholders in a general meeting; and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the “2020 Share Option Scheme Period”).

After the 2020 Share Option Scheme Period, the Company cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2020 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2020 Share Option Scheme. As at the date of this report, no share option had been granted by the Company under the 2020 Share Option Scheme.

SHARE OPTION SCHEME OF GLORY SUN LAND GROUP LIMITED

2014 Share Option Scheme

On 26 March 2014, Glory Sun Land Group Limited (stock code: 00299.HK) (“Glory Sun Land”) adopted a new share option scheme (the “2014 Share Option Scheme”) and the major terms of the 2014 Share Option Scheme were summarised as follows:

(a) Purpose of the 2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the businesses of Glory Sun Land; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of Glory Sun Land by aligning the interests of option holders to its shareholders.

(b) Participants of the 2014 Share Option Scheme

Pursuant to the 2014 Share Option Scheme, Glory Sun Land may at its absolute discretion grant options to any employee, consultant, service provider, agent, customer, partner or joint-venture partner of Glory Sun Land or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of Glory Sun Land or its subsidiaries) who is in full-time or part-time employment with Glory Sun Land or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the board, have contributed or may contribute to Glory Sun Land and its subsidiaries.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(c) Total number of shares available for issue under the 2014 Share Option Scheme

The total number of shares may be granted under the 2014 share Option Scheme is 24,691,756 shares after adjustments for share subdivision in 2015 and share consolidation in 2017, which represents 0.54% of the total number of shares in issue at the date of this report.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Share Option Scheme and any other schemes of Glory Sun Land shall not exceed 30% of the total number of shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue, unless approved by the shareholders of Glory Sun Land in the manner as stipulated in the 2014 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period to be determined and notified by the directors of Glory Sun Land to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2014 Share Option Scheme.

(f) The subscription price per share

The subscription price per share in respect of an option granted under the 2014 Share Option Scheme is such price as determined by the board of Glory Sun Land at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the share of Glory Sun Land as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares of Glory Sun Land as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a share of Glory Sun Land on the date on which the options are offered.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(g) Payment on acceptance of option

A non-refundable sum of HK\$10 or other amount as determined by the board of Glory Sun Land by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Duration of the 2014 Share Option Scheme

The 2014 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The 2014 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the shareholders of Glory Sun Land in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the "2014 Share Option Scheme Period").

After the 2014 Share Option Scheme Period, Glory Sun Land cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2014 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2014 Share Option Scheme. As at the date of this report, a total of 31,100,000 share options (after adjustments for share subdivision in 2015 and share consolidation in 2017) had been granted by Glory Sun Land under the 2014 Share Option Scheme. The number of outstanding share options as at 30 June 2020 is nil.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2019 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Director	
Ms. Ye Weiqing	Resigned as an executive director and ceased to be a member of each of the investment committee and strategic committee of the Company on 2 June 2020
Independent Non-executive Director	
Mr. Lee Kwan Hung, Eddie	Resigned as an independent non-executive director of Landsea Green Properties Co., Ltd. (Stock Code: 00106.HK, a company listed on the Stock Exchange) ("Landsea") and ceased to be a member of each of the audit committee and nomination committee of Landsea with effect from 19 June 2020

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

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. For the six months ended 30 June 2020, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules, except the deviations disclosed herein.

According to the code provision A.2.1 of the CG code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yao Jianhui ("Mr. Yao") currently assumes the roles of both the chairman and the chief executive officer of the Company. The Company deviates from this provision as it believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership. It allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of independent non-executive directors and all major decisions are made after consultation with the Board, appropriate Board Committees and key personnel. The Board, therefore, believes that a balance of power and authority have been and will continue to be maintained.

CORPORATE GOVERNANCE AND OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the Directors. All Directors have confirmed that throughout the six months ended 30 June 2020, they have complied with the provisions of the Model Code.

AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 28 November 2009 with written terms of reference in compliance with the Listing Rules. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The Audit Committee comprises one non-executive director, namely Mr. Zhang Chi and two independent non-executive directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew. The unaudited financial results for the six months ended 30 June 2020 have been reviewed by the Audit Committee and the external auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

APPRECIATION

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

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

Hong Kong, 28 August 2020



寶新金融集團有限公司
GLORY SUN FINANCIAL GROUP LIMITED