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寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01282)

2020 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Glory Sun Financial Group Limited (the “**Company**”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the comparative figures for 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000 (Re-presented)
Continuing operations			
Revenue	4	7,826,208	10,887,820
Cost of sales		(7,439,498)	(8,934,072)
Gross profit		386,710	1,953,748
Other gains — net	5	576,633	23,854
Other income	5	46,131	39,397
Gain on bargain purchase		—	696,412
Loss on remeasurement of pre-existing interest in an associate		—	(176,869)
Fair value (loss)/gain on investment properties		(607,202)	23,935
Impairment losses on non-financial assets	6	(454,489)	(194,705)
Impairment losses on financial assets and contract assets — net	6	(94,439)	(72,908)
Distribution costs		(131,362)	(74,585)
Administrative expenses		(355,845)	(387,458)
(Loss)/profit from operations		(633,863)	1,830,821

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Re-presented)
Finance costs — net	8	(56,335)	(192,483)
Share of results of associates		16,011	20,631
(Loss)/profit before income tax from continuing operations		(674,187)	1,658,969
Income tax credit/(expense)	9	93,395	(595,443)
(Loss)/profit for the year from continuing operations		(580,792)	1,063,526
Discontinued operations			
Loss for the year from discontinued operations	7	—	(88,727)
(Loss)/profit for the year	6	(580,792)	974,799
(Loss)/profit attributable to:			
Owners of the Company			
— Continuing operations		(217,251)	757,799
— Discontinued operations		—	(73,507)
		(217,251)	684,292
Non-controlling interests			
— Continuing operations		(363,541)	305,727
— Discontinued operations		—	(15,220)
		(363,541)	290,507
		(580,792)	974,799

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Re-presented)
(Loss)/profit for the year		(580,792)	974,799
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		461,790	(195,962)
Release of exchange reserve upon disposal of subsidiaries		(18,390)	4,674
Share of other comprehensive income of associates		(45,109)	(72,113)
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation surplus upon transfer of owner-occupied property to investment properties		6,442	75,566
— deferred tax arising from revaluation thereof		—	(10,376)
Net change in fair value of equity investments designated at fair value through other comprehensive income		(194,239)	(315,667)
Other comprehensive income for the year		210,494	(513,878)
Total comprehensive income for the year		(370,298)	460,921
Total comprehensive income for the year attributable to:			
Owners of the Company		(129,952)	208,761
Non-controlling interests		(240,346)	252,160
		(370,298)	460,921
(Loss)/earnings per share from continuing and discontinued operations			
	<i>11</i>		
— Basic (HK cents)		(0.71)	2.55
— Diluted (HK cents)		(0.71)	2.55
(Loss)/earnings per share from continuing operations			
	<i>11</i>		
— Basic (HK cents)		(0.71)	2.82
— Diluted (HK cents)		(0.71)	2.82
Loss per share from discontinued operations			
	<i>11</i>		
— Basic (HK cents)		N/A	(0.27)
— Diluted (HK cents)		N/A	(0.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		564,348	322,671
Investment properties		9,301,747	9,011,837
Intangible assets		273,836	726,735
Investments in associates		317,524	321,780
Financial assets at fair value through other comprehensive income	<i>12</i>	478,681	904,840
Finance lease receivables		59,553	61,480
Prepayments, deposits and other receivables		329,316	111,430
Loans and advances	<i>13</i>	–	78,000
Derivative financial assets		–	13,753
Deferred tax assets		49,296	40,019
		11,374,301	11,592,545
Current assets			
Inventories		26,443	23,156
Properties under development		9,477,577	7,855,386
Completed properties held for sale		2,442,662	1,146,584
Loans and advances	<i>13</i>	945,940	1,190,715
Trade receivables	<i>14</i>	384,856	321,315
Contract assets		68,514	250,550
Derivative financial assets		32,044	–
Finance lease receivables		64,500	54,173
Prepayments, deposits and other receivables		5,166,222	4,275,164
Current tax recoverable		40,537	20,818
Financial assets at fair value through profit or loss	<i>15</i>	475,056	128,851
Client trust bank balances		254,786	376,677
Pledged bank deposits and restricted deposits		646,085	889,611
Cash and cash equivalents		1,724,662	1,313,570
		21,749,884	17,846,570
Total assets		33,124,185	29,439,115

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 31 December 2020

	<i>Notes</i>	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and bills payables	16	3,730,461	4,313,930
Contract liabilities		2,006,206	798,585
Accruals and other payables		1,449,490	1,502,480
Consideration payable		–	300,620
Borrowings		6,448,771	6,190,104
Lease liabilities		16,280	5,412
Financial guarantees		–	33,180
Current tax liabilities		309,406	466,631
		<u>13,960,614</u>	<u>13,610,942</u>
Net current assets		<u>7,789,270</u>	<u>4,235,628</u>
Total assets less current liabilities		<u>19,163,571</u>	<u>15,828,173</u>
Non-current liabilities			
Other payables		17,660	–
Borrowings		6,943,190	3,690,642
Lease liabilities		103,625	28,698
Consideration payable		163,747	136,019
Deferred tax liabilities		1,073,251	1,211,543
		<u>8,301,473</u>	<u>5,066,902</u>
Total liabilities		<u>22,262,087</u>	<u>18,677,844</u>
NET ASSETS		<u>10,862,098</u>	<u>10,761,271</u>
EQUITY			
Share capital		3,138,751	2,978,751
Reserves		4,828,230	4,648,403
Equity attributable to owners of the Company		7,966,981	7,627,154
Non-controlling interests		2,895,117	3,134,117
TOTAL EQUITY		<u>10,862,098</u>	<u>10,761,271</u>

NOTES

1. GENERAL INFORMATION

Glory Sun Financial Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 18th Floor, Wing On Centre, No. 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**”).

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

2.1 Adoption of new or revised **HKFRSs**

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (“**the new HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

None of these new or amended **HKFRSs** has a material impact on the Group’s results and financial position for the current or prior period. In addition, the Group has early adopted amendment to **HKFRS 16 Covid-19 - Related Rent Concessions** ahead of the effective date and applied the amendment from 1 January 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.1 Adoption of new or revised HKFRSs (Continued)

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The adoption of the amendment to HKFRS 16 does not have a material impact to the Group’s results and financial position.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

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

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

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ⁴ Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Prepayment on Demand Clause ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37 HKFRS 17	Onerous Contracts — Cost of Fulfilling a Contract ² Insurance Contracts ⁴
Amendments to HKFRS 3 Amendments to HKFRS 10 and HKAS 28	Reference to the Conceptual Framework ³ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018-2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values.

(c) Comparative figures

During the year ended 31 December 2020, the directors of the Company reviewed the presentation of the accounting items in the consolidated financial statements. Due to the financial significance of certain accounting items in current year, certain comparative figures have been re-presented to conform to the current year’s presentation. The changes represented the reclassification of accounting items in the consolidated statement of comprehensive income which included (i) impairment losses on intangible assets and property, plant and equipment previously reported under “administrative expenses” were separately presented under “impairment losses on non-financial assets” and (ii) the impairment losses on trade receivables, contract assets, loans and advances and other receivables previously reported under “administrative expenses” were separately presented under “impairment losses on financial assets and contract assets — net”.

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

Effect on the consolidated statement of comprehensive income for the year ended 31 December 2019:

	As previously report	Reclassification	As re-presented
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Administrative expenses	(655,071)	267,613	(387,458)
Impairment losses on non-financial assets	–	(194,705)	(194,705)
Impairment losses on financial assets and contract assets — net	–	(72,908)	(72,908)

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

4. SEGMENT INFORMATION

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

The reportable segments were classified as 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 respect to financial services under the Hong Kong Securities and Future Ordinance in Hong Kong;
- Property Investment and Development segment represents the properties investment activities, property development project, hotel operations and restaurant and provision of construction works in Hong Kong and the PRC;
- Securities Investment segment represents the investment activities through direct investments in listed and unlisted securities;
- Trading of Commodities segment represents trading of commodities in the PRC;
- Yacht Club segment represents operation of a yacht club in the PRC;
- Training segment represents provision of training services in the PRC; and
- Others segment represents operation of golf practising court, children playroom, fitness room, trading of seafood and home appliances 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.

During the year ended 31 December 2019, the Group identified its manufacturing business and the provision of online game and platform services business as discontinued operations upon disposal of subsidiaries and further disclosed in note 7.

4. SEGMENT INFORMATION (Continued)

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

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

Revenue from external customers for Manufacturing and Automation segments are derived from the sales of goods net of returns and installation and maintenance income. Revenue from Securities Investment segment is derived from realised and unrealised gains/(losses) of financial assets at fair value through profit or loss (“FVTPL”) and commission income on dealing in securities. Revenue from Financial Services segment includes commission and brokerage income on dealings in securities and future contracts, interest income from money lending, management fee and performance fee income from financial services. Revenue from Property Investment and Development segment is derived from the sale of properties, hotel operations and restaurant, construction contracts and rental income. Revenue from Trading of Commodities segment is derived from trading of commodities. Revenue from Yacht Club segment is derived from the operation of a yacht club. Revenue from Training segment is derived from provision of training services. Revenue from Provision of Online Game Services segment is derived from online game operation. Revenue from Others segment is derived from operations of golf practising court, children playroom, fitness room, trading of seafood and home appliances.

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 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, loss on remeasurement on pre-existing interest in an associate, share of results of associates, gain on bargain purchase, fair value gain on derivative financial assets and taxation are not allocated to segments.

In preparing the segment information for the year ended 31 December 2020, the business relating to operation of a yacht club and provision of 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 year’s presentation.

4. SEGMENT INFORMATION (Continued)

The Group's revenue by segment and the reportable segment information is reconciled to (loss)/profit before income tax as follows:

	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	Training HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2020									
Revenue	545,377	285,625	805,044	(21,971)	6,129,006	10,000	8,915	104,740	7,866,736
Inter-segment revenue	-	(38,871)	(1,657)	-	-	-	-	-	(40,528)
Revenue from external customers	<u>545,377</u>	<u>246,754</u>	<u>803,387</u>	<u>(21,971)</u>	<u>6,129,006</u>	<u>10,000</u>	<u>8,915</u>	<u>104,740</u>	<u>7,826,208</u>
Segment results	<u>54,757</u>	<u>145,369</u>	<u>(388,002)</u>	<u>(62,231)</u>	<u>(8,354)</u>	<u>(249,314)</u>	<u>(197,113)</u>	<u>18,544</u>	<u>(686,344)</u>
Share of results of associates									16,011
Fair value gain on derivative financial assets									18,291
Unallocated other gains — net									38,718
Unallocated other income									20,593
Unallocated administrative expenses									(23,462)
Unallocated finance costs — net									(57,994)
Loss before income tax									<u>(674,187)</u>

	Discontinued operations			Continuing operations									
	Provision of Online Game Services HK\$'000	Manufacturing 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	Training HK\$'000	Others HK\$'000	Sub-total HK\$'000	Total HK\$'000
Year ended 31 December 2019													
Revenue	37	47,790	47,827	634,160	182,459	5,070,416	(260,755)	5,160,354	60,027	46,047	9,435	10,902,143	10,949,970
Inter-segment revenue	-	-	-	-	(7,031)	(7,292)	-	-	-	-	-	(14,323)	(14,323)
Revenue from external customers	<u>37</u>	<u>47,790</u>	<u>47,827</u>	<u>634,160</u>	<u>175,428</u>	<u>5,063,124</u>	<u>(260,755)</u>	<u>5,160,354</u>	<u>60,027</u>	<u>46,047</u>	<u>9,435</u>	<u>10,887,820</u>	<u>10,935,647</u>
Segment results	<u>59,429</u>	<u>(148,151)</u>	<u>(88,722)</u>	<u>54,797</u>	<u>73,459</u>	<u>1,717,552</u>	<u>(309,812)</u>	<u>(2,731)</u>	<u>(135,091)</u>	<u>(21,583)</u>	<u>716</u>	<u>1,377,307</u>	1,288,585
Unallocated other gains — net													10,847
Unallocated other income													62
Loss on remeasurement on pre-existing interest in an associate													(176,869)
Unallocated administrative expenses													(164,530)
Unallocated finance costs — net													(104,891)
Share of results of associates													20,631
Gain on bargain purchase													696,412
Profit before income tax from continuing and discontinued operations													1,570,247
Add: Loss before income tax from discontinued operations													88,722
Profit before income tax from continuing operations													<u>1,658,969</u>

4. SEGMENT INFORMATION (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
— Sale of goods	524,022	629,715
— Sale of properties	682,878	4,960,466
— Installation and maintenance income	4,699	4,445
— Commission and brokerage income	69,335	41,986
— Management fee and performance fee income	40,710	18,090
— Trading of commodities	6,129,006	5,160,354
— Training services	8,915	46,047
— Yacht club services	1,612	60,027
— Construction contracts	—	12,280
— Others	124,474	9,435
	<u>7,585,651</u>	<u>10,942,845</u>
<i>Revenue from other sources</i>		
— Securities investment loss	(18,511)	(261,817)
— Interest income	132,904	116,414
— Rental income	126,164	90,378
	<u>240,557</u>	<u>(55,025)</u>
Revenue from continuing operations	<u><u>7,826,208</u></u>	<u><u>10,887,820</u></u>
Discontinued operations:		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
— Online game operation (Note 7(a))	—	37
— Sale of goods from manufacturing segment (Note 7(b))	—	47,790
	<u>—</u>	<u>47,827</u>
Revenue from discontinued operations	<u><u>—</u></u>	<u><u>47,827</u></u>

5. OTHER GAINS — NET AND OTHER INCOME

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:			
Other gains — net			
Gain on disposal of subsidiaries	<i>17</i>	519,624	95
Fair value gain on derivative financial assets		18,291	8,895
Fair value loss on financial guarantee		–	(15,970)
Fair value loss on contingent consideration payable		–	(5,409)
Gain from derecognition of financial guarantee contract		33,419	27,348
(Loss)/gain on disposal of property, plant and equipment		(123)	397
Others		5,422	8,498
		<u>576,633</u>	<u>23,854</u>
Other income			
Dividend income		10,781	8,663
Government subsidies (<i>Note</i>)		8,039	5,539
Property management income		1,508	7,278
Handling fee income		7,747	5,804
Others		18,056	12,113
		<u>46,131</u>	<u>39,397</u>
Discontinued operations:			
Other losses — net and other income			
Loss on disposal of property, plant and equipment		–	(3,194)
Others		–	2,060
		<u>–</u>	<u>(1,134)</u>

Note: Among the government subsidies, HK\$6,539,000 (2019: Nil) are government subsidies obtained from the Employment Support Scheme under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payroll of the Group's employees. The remaining represented the encouragement of development of culture and creative companies and the support of the Group's automation business from the relevant government authorities. The Group has complied with the requirements set out in the subsidy notice or relevant law and regulations.

6. (LOSS)/PROFIT FOR THE YEAR

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

	2020	2019		Total HK\$'000
	Continuing operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	
Auditor's remuneration				
— Audit services	5,839	6,834	16	6,850
— Non-audit services	950	3,835	–	3,835
Cost of inventories and inventories of properties	7,082,187	8,826,082	29,888	8,855,970
Write-down of inventories and inventories of properties (Note)	205,018	152	19,699	19,851
Cost of inventories and inventories of properties recognised as expenses	7,287,205	8,826,234	49,587	8,875,821
Amortisation of intangible assets	43,658	37,926	295	38,221
Depreciation of property, plant and equipment	54,406	41,000	6,398	47,398
Directors' and chief executive's emoluments	15,570	16,541	–	16,541
Employee benefit expenses	234,699	162,149	11,502	173,651
Loss/(gain) on disposal of property, plant and equipment	123	(397)	3,194	2,797
Net foreign exchange (gains)/losses	(18,914)	16,840	(582)	16,258
Short-term lease expenses	7,733	4,917	1,473	6,390
Research and development expenses	–	–	7,049	7,049
Impairment losses on financial assets and contract assets — net:				
— Provision for/(reversal of) impairment losses on loans and advance	1,486	(3,774)	–	(3,774)
— Impairment losses on trade receivables	475	236	63,509	63,745
— Impairment losses on other receivables	32,662	5,575	–	5,575
— Impairment losses on contract assets	59,816	70,871	–	70,871
	94,439	72,908	63,509	136,417
Impairment losses on non-financial assets:				
— Impairment losses on intangible assets	419,802	140,094	2,661	142,755
— Impairment losses on property, plant and equipment	34,687	54,611	8,335	62,946
	454,489	194,705	10,996	205,701

Note:

Write-down of inventories and inventories of properties to net realisable value of approximately HK\$205,018,000 was included in “cost of sales” of the consolidated statement of comprehensive income. (2019: HK\$152,000 was included in “cost of sales” and HK\$19,699,000 was included in the “loss for the year from discontinued operations” of the consolidation statement of comprehensive income)

7. DISCONTINUED OPERATIONS

For the year ended 31 December 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 Limited (“**Kingworld Holdings**”). Kingworld Holdings and its subsidiaries were principally engaged in provision of online game services. The results of online game operation and the gain on disposal are as follow:

	2019 HK\$'000
Revenue	37
Cost of sales	(1,468)
Distribution costs	(9)
Administrative expenses	(1,524)
Other losses-net and other income	<u>30</u>
Loss before income tax	(2,934)
Income tax expense	<u>–</u>
Loss after income tax from discontinued operation	(2,934)
Gain on disposal of subsidiaries	<u>62,363</u>
Profit for the year from discontinued operation	<u><u>59,429</u></u>

7. DISCONTINUED OPERATIONS (Continued)

For the year ended 31 December 2019 (Continued)

(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 Limited 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 of manufacturing business and the loss on disposal are as follows:

	2019 HK\$'000
Revenue	47,790
Cost of sales	(56,868)
Distribution costs	(501)
Administrative expenses	(104,124)
Other losses — net and other income	(1,164)
Finance income	<u>2,947</u>
Loss before income tax	(111,920)
Income tax expense	<u>(5)</u>
Loss after income tax from discontinued operation	<u>(111,925)</u>
Loss on disposal of subsidiaries	<u>(36,231)</u>
Loss for the year from discontinued operation	<u><u>(148,156)</u></u>

8. FINANCE COSTS — NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Finance income:		
— Interest income on bank deposits	28,865	16,279
— Interest income on bond receivable	<u>12,135</u>	<u>—</u>
	<u>41,000</u>	<u>16,279</u>
Finance costs:		
— Bank loans	(344,384)	(205,143)
— Trust receipt loans	(316)	(711)
— Obligation under repurchase agreements	(9,893)	(6,125)
— Margin loans	(5,077)	—
— Corporate bonds	(122,908)	(78,960)
— Other loans	(267,851)	(152,500)
— Note payables	(6,331)	—
— Interest on loans from related parties	(2,641)	(35,084)
— Imputed interest on consideration payable	(18,826)	(14,127)
— Lease liabilities	<u>(7,444)</u>	<u>(1,766)</u>
	<u>(785,671)</u>	<u>(494,416)</u>
Less: Interest capitalised on		
— investment properties under construction	128,128	42,604
— properties under development	<u>560,208</u>	<u>243,050</u>
Finance costs from continuing operations	<u>(97,335)</u>	<u>(208,762)</u>
Finance costs from continuing operations, net	<u>(56,335)</u>	<u>(192,483)</u>
Discontinued operations:		
Finance income:		
— Interest income on bank deposits	—	34
— Others	<u>—</u>	<u>2,913</u>
Finance income from discontinued operations (<i>Note 7(b)</i>)	<u>—</u>	<u>2,947</u>

9. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as following:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations:		
Current tax		
— Hong Kong Profits tax	30,492	17,669
— PRC enterprise income tax	12,158	192,825
— PRC land appreciation tax	58,351	430,228
	<u>101,001</u>	<u>640,722</u>
Under/(over) provision in prior years	1,074	(764)
	<u>102,075</u>	<u>639,958</u>
Deferred tax	(195,470)	(44,515)
	<u>(93,395)</u>	<u>595,443</u>
Discontinued operations:		
Current tax		
— PRC enterprise income tax	—	5
	<u>—</u>	<u>5</u>
Total income tax (credit)/expense from continuing and discontinued operations	<u>(93,395)</u>	<u>595,448</u>

10. DIVIDENDS

- (a) No dividend was proposed during the years ended 31 December 2020 and 2019.
- (b) Dividends attributable to the previous financial year, approved and paid during the year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend paid in respect of prior year		
— Nil (2019: HK0.20 cent per share)	—	54,775
	<u>—</u>	<u>54,775</u>

11. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share for the year is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue (excluding treasury shares held by the Group) of 30,605,023,000 (2019: 26,863,329,000) during the year. There were no potential dilutive ordinary share outstanding for both years and therefore the dilutive earnings per share is the same as basic earnings per share.

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

	2020	2019
	'000	'000
Weighted average number of ordinary shares in issue (excluding treasury shares held by the Group) during the year for basic earnings per share	<u>30,605,023</u>	<u>26,863,329</u>

(a) From continuing and discontinued operations

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

	2020	2019
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(217,251)</u>	<u>684,292</u>
Basic (loss)/earnings per share (expressed in Hong Kong cents per share)	<u>(0.71)</u>	<u>2.55</u>

(b) From continuing operations

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

	2020	2019
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(217,251)</u>	<u>757,799</u>
Basic (loss)/earnings per share (expressed in Hong Kong cents per share)	<u>(0.71)</u>	<u>2.82</u>

11. (LOSS)/EARNINGS PER SHARE (Continued)

(c) From discontinued operations

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

	2020	2019
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>N/A</u>	<u>(73,507)</u>
Basic loss per share (expressed in Hong Kong cents per share)	<u>N/A</u>	<u>(0.27)</u>

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

	2020	2019
Equity investments designated at FVOCI	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares:		
— Equity securities — Norway	36,825	15,531
— Equity securities — the United States of America	10,482	12,233
— Equity securities — Hong Kong	404,130	420,106
— Equity securities — the PRC	<u>–</u>	<u>390,256</u>
	451,437	838,126
Unlisted shares	<u>27,244</u>	<u>66,714</u>
	<u>478,681</u>	<u>904,840</u>

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

As at 31 December 2020 and 2019, unlisted securities which quoted market price is not available of aggregated carrying amount of approximately HK\$27,244,000 (2019: HK\$66,714,000) are measured at fair value determined by using backsolve and calibration method which are not based on observable inputs.

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

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

13. LOANS AND ADVANCES

	2020	2019
	HK\$'000	HK\$'000
Loans and advances (<i>Note (a)</i>)	481,773	814,379
Margin loans receivables (<i>Note (b)</i>)	469,241	457,924
	951,014	1,272,303
Less: Provision for impairment	(5,074)	(3,588)
Loans and advances — net	945,940	1,268,715
Less: Non-current portion	—	(78,000)
Current portion	945,940	1,190,715

Notes:

- (a) The loans and advances of approximately HK\$481,773,000 (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 collateral held and the financial background of the borrower.

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

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

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

As at 31 December 2020, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of approximately HK\$2,190,009,000 (2019: HK\$1,045,037,000).

14. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	388,608	324,550
Less: Provision for impairment	<u>(3,752)</u>	<u>(3,235)</u>
Trade receivables — net	<u>384,856</u>	<u>321,315</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	234,238	147,645
31 to 60 days	27,499	23,027
61 to 90 days	17,878	26,702
91 to 120 days	7,663	13,796
Over 120 days	<u>101,330</u>	<u>113,380</u>
	<u>388,608</u>	<u>324,550</u>

15. FINANCIAL ASSETS AT FVTPL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed securities:		
— Equity securities — the PRC	—	69
— Equity securities — Hong Kong	<u>115,166</u>	<u>120,801</u>
	115,166	120,870
Debt investment at FVTPL	<u>359,890</u>	<u>7,981</u>
	<u>475,056</u>	<u>128,851</u>

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

As at 31 December 2020, listed equity securities with an aggregate carrying amounts of approximately HK\$78,943,000 (2019: HK\$19,631,000) have been pledged as security for the Group's obligation under repurchase agreements.

16. TRADE AND BILLS PAYABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	3,700,039	4,296,866
Bills payables	30,422	17,064
	<u>3,730,461</u>	<u>4,313,930</u>

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	2,672,649	3,720,056
31 to 60 days	21,121	130,368
61 to 90 days	11,943	26,566
91 to 120 days	2,884	38,441
Over 120 days	1,021,864	398,499
	<u>3,730,461</u>	<u>4,313,930</u>

17. DISPOSAL OF SUBSIDIARIES

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.

HK\$'000

Net liabilities at the date of disposal were as follows:

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	<u>(140,230)</u>
Net liabilities disposed of	<u><u>(119,171)</u></u>

Gain on disposal of a subsidiary:

Cash consideration	382,063
Net liabilities disposed of	119,171
Release of exchange reserve	<u>18,390</u>
	<u><u>519,624</u></u>

MARKET OVERVIEW

During the Year, the global business activities were hard hit by the Covid-19 pandemic resulting in a recession in majority of nations and in others a depression, and Hong Kong is no exception. 2020 has been a tough year for Hong Kong's economy. The Hong Kong Government faced difficult trade-off between curbing the spread of the Covid-19 and keeping its economy afloat. Notwithstanding the stimulus package to support businesses and individuals such as wage subsidies and tax and loan payment deferrals released by the Hong Kong Government and the self-discipline of the citizens such as strict compliance with compulsory mask wearing, the gross domestic product (“GDP”) decreased by 6.1% in real terms from 2019.

Despite the serious disruptions caused by the Covid-19 to many sectors of the economy, the global financial markets were well supported by the unprecedented policy support from governments around the world. Hong Kong, as one of the international financial centres for global markets, continued to serve its role as a connection between China and the world. In 2020, the return of China concept stocks to Hong Kong stock market led to an increase in the turnover of the stock market. The average daily turnaround value of Stock Connect Northbound and Southbound reached record half-yearly highs on the first half of 2020. The investment and property markets enjoyed a favourable environment under the Linked Exchange Rate System as the interest rate were decreasing in 2020.

Faced with the rampant pandemic, the Chinese government promptly adopted a series of prevention and control measures, which brought the pandemic under effective control within the first quarter of 2020. China's economy showed strong resilience, making China the only major economy in the world to achieve positive economic growth.

An orderly economic recovery has simultaneously stimulated the demand for purchase of housing properties in the PRC. The growth rate of real estate investment plummeted to 16.3% in February 2020 due to the impact of the pandemic. Property sales scale and development investments in the real estate industry across China fell sharply. With better pandemic prevention and control, the market has gradually stabilised and recovered since March 2020. The property market achieves a positive growth of 7% in 2020. According to the data from the National Bureau of Statistics, China's investment in real estate development rose approximately 7% year-on-year to RMB14,144.3 billion in 2020, and the investment in residential real estate was RMB10,444.6 billion in aggregate, up 7.6% from a year earlier.

Looking ahead, the Group remains positive on the recovery of Hong Kong's economy as China's economy has mostly reactivated. China is both Hong Kong's largest destination of goods exports and supply place of goods imports. As trade and cross-border communications gradually normalise, the internal circulation of production, distribution and consumption will likely to be a major boost to Hong Kong's economy.

BUSINESS REVIEW

Established in 2009 and listed on the main board of The Stock Exchange of Hong Kong Limited in December 2010, the Group is principally engaged in the business of financial services, property investment and development, automation, securities investment, trading of commodities, yacht club and training. In January 2021, the Company won "the best financial company" award at the 5th "Golden Hong Kong Stocks Awards", affirming its wide recognition in Hong Kong.

Over the past years, the Group has been adhering to its philosophy of "sustainable development and giving back to the community" with its commitment to provide all-rounded quality products and services to maximise return for its shareholders and contribute to the well-being of the society. In 2021, 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.

FINANCIAL SERVICES BUSINESS

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

Securities Brokerage Services

Hong Kong has been a popular fund-raising market for global business. Despite the influence brought by the Covid-19, the IPO market remained vigorous in the second half of 2020. In the third quarter of 2020, the IPO of bio-pharmaceutical stocks, property management stocks, technology stocks and China concept stocks set off a boom in the Hong Kong stock market. In 2020, Hong Kong was the second largest initial public offerings ("IPO") market globally. Notwithstanding that the number of newly listed companies was 154, a decrease of approximately 15.9% from 183 in 2019, the IPO equity funds raised was approximately HK\$397,528.9 million, an increase of approximately 26.5% from approximately

HK\$314,241.1 million in 2019 and the total turnover was approximately HK\$32,110,148 million, an increase of approximately 49.8% from HK\$21,440,049 million in 2019. Benefiting from the increase in the annual turnover, the Group recorded a satisfactory increase in revenue from securities brokerage services.

In order to facilitate the development of securities brokerage services, the Group consistently advertised through marketing channels and released research and analysis reports. It provided investors with up-to-date financial information via live streaming and a series of social media platforms. With the launch of a new version of eTrading mobile application with more popular functions, clients tended to conduct more trades online as a result of better investment experience. A stronger brand recognition and brand evaluation from clients led to an enhancement of the Group's corporate image.

Corporate Finance Services

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

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

Asset Management Services

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

Wealth Management Services

As one of the leading wealth management hubs, Hong Kong has been providing comprehensive financial services to onshore and offshore clients. The number of high-net-worth individuals in Hong Kong has been increasing in recent years. In terms of cities with most billionaires, Hong Kong ranks the second.

With its geographical advantages and long-term experience in serving the PRC market, Hong Kong is expected to maintain its leading position in Greater China wealth management. With the expectation that the number of millionaires in the PRC will reach 6.9 million by 2024 and the increasing demand for professional advisory services in the Great Bay Area, further development of Hong Kong wealth management industry is expected.

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

Money-lending Services

The Group holds a money lender's licence and is a member of TransUnion Limited. The loans granted to clients covers long-term secured loans such as share mortgage and property mortgage and short-term unsecured term loans. In 2020, the Group continued to optimize its money lending business structure by the adoption of a conservative approach and tightened loan approval procedures. With reference to the prevailing market condition, the Group adjusted the interest rate and loan-to-value ratio on a regular basis to strengthen its risk and capital management. Despite the challenges encountered during the Year, the Group's money lending business recorded a significant increase in the size of the loan portfolio.

Precious Metal Trading Services

The Group hold a A1 membership of the Chinese Gold and Silver Exchange Society to engage with the businesses of 99 Gold, HKD Kilo Gold, London Gold/Silver and Loco Silver. In 2020, it continued to provide clients with quality online trading services of gold and silver as well as comprehensive precious metal trading business for goods and physical gold and silver and render services of investment management and investment advisory for them to capture investment opportunities.

PROPERTY INVESTMENT AND DEVELOPMENT BUSINESS

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

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

The Group's property investment and development segment is mainly rooted in the Guangdong-Hong Kong-Macao Greater Bay Area. At present, it has implemented a total of 16 property investment and development projects in 9 cities, namely Shenzhen, Ganzhou, Changchun, Shenyang, Weinan, Changsha, Shantou, Yunfu and Nanning. The development projects include commercial complexes, upscale residences, hotels, commercial apartments, villas and garden houses.

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

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

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

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

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

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

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

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

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

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

AUTOMATION BUSINESS

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

The Group has been engaging in the automation business since 2012. It is one of the leading distributors and service providers of surface mount technology (SMT) equipment in the PRC. In 2020, the SMT equipment industry went through a slowdown due to the global economic uncertainties caused by the Sino-US trade war and Covid-19. Despite the challenging economic situation, China's manufacturing industry has benefited from a strong recovery and increased demand for 5G, semiconductors, smart connected devices and electric vehicles. The Group expects that the automation business will benefit from the increase in the industry's demand for smart manufacturing equipment in 2021.

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

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

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

SECURITIES INVESTMENT

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 uncertainties in the financial market. For the year ended 31 December 2020, the securities investment business generated a loss of approximately HK\$22.0 million (2019: approximately HK\$260.8 million). The operating loss of the segment amounted to approximately HK\$62.2 million (2019: approximately HK\$309.8 million).

OTHER INVESTMENTS

As at 31 December 2020, the Company held 32% equity interest in Yunnan International Holding Group Limited, an associate principally engaged in the business of clean energy, health, investment management, new energy and financial services. Through the cooperation with the shareholders of the associate, the Company vigorously participated in the strategic construction brought by The Belt and Road Initiative.

TRADING OF COMMODITIES BUSINESS

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

YACHT CLUB AND TRAINING BUSINESS

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

PROSPECT

In the last two years, the Group's financial services segment transformed into a specialised financial services segment with investment and financing capabilities and achieved a substantial increase in the overall probability. In 2021, the financial services segment will seek to further improve its performance.

The securities brokerage team will expand its margin financing business by allocating more resources on the provision of IPO margin financing to clients. It will build up connection network with more securities firms and banks for potential collaboration. Promotional packages such as commission-free and competitive margin financing interest will be offered to clients. The number of new account and the amount of client money are expected to increase.

The securities brokerage team has been compiling research reports and securities investment recommendations on macroeconomic and market hotspots. It will expand its scope of research to cover traditional industries such as real estate, new energy, biotechnology and biomedicine. Further, the existing eTrading mobile application will be further optimised to improve and increase its functions.

The corporate finance team will continue to consolidate its client base of small and medium corporates. Due to the investors' enthusiasm for technology, consumption, biotechnology and property management, it, through its pre-IPO advisory services and referrals, will take opportunities to obtain sponsorship and underwriting projects in these hot industries. More advisory and consultancy services agreement are expected to be signed with corporate and individual clients to provide them with consultancy services, market research and advisory services on corporate governance.

Despite the travel restrictions imposed by authorities, members of the corporate finance team will attend to meetings with clients and potential clients in the PRC. Seminars in large scale are expected to be held to promote the Group's corporate finance services.

To adapt to the changes in the capital markets, the asset management team will actively design and launch unique fund product category to cover stocks, bonds, currencies, hierarchy, private equity etc., thereby creating a diverse asset management product line to increase its AUM and to satisfy the need of different client groups. Meanwhile, it will enhance professional team building, gradually strengthen its core management capabilities, including but not limited to strengthening compliance supervision and risk management and adhering to the "people-oriented" philosophy.

The wealth management team targets to expand its sales force for promotion of its products and services. It will cooperate with insurance companies overseas, trust companies, immigration institutions so that clients will be referred to the wealth management team to invest in its financial products. It also plans to set up a trust for high-net-worth clients for wealth inheritance arrangements.

The automation business team 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 business segment.

The Group believes that the Guangdong-Hong Kong-Macao Greater Bay Area will usher in a strategic window period for truly rapid development. China's real estate market is set to continuously stabilise and see stronger consumer demand under the new development pattern that takes domestic circulation as the mainstay, with domestic and international circulation reinforcing each other.

With the continuous support from China by its gradual introduction of new measures under the Greater Bay Area initiative, greater collaboration between the local governments is anticipated within the region. Hong Kong will definitely gain from the development of China's most economically vibrant region. To seize every opportunity presented in the region, the Group will continue to equip itself with more talents while making adjustment and optimization to the management and core business teams with devoted effort to develop more professional and experienced business teams. The Group anticipates a turnaround from crisis to opportunities under the professional operating capabilities of its teams to expand the scope of its business by the leverage of the opportunity arising out of crisis. The Group will carry on with its plan to provide investors in the market with more business opportunities and more quality services so that the business of the Group can achieve a new level of success.

FINANCIAL REVIEW

Continuing operations

Revenue

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

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

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

Gross Profit and Margin

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

Other Gains — Net

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

Other Income

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

Distribution Costs

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

Administrative Expenses

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

Finance Costs — Net

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

Income Tax Credit/(Expense)

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

Discontinued operations

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

(Loss)/profit attributable to owners of the Company

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

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

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

The borrowings of the Group as at 31 December 2020 included corporate bonds of approximately HK\$1,020.0 million (2019: approximately HK\$1,688.4 million), trust receipt loans of approximately HK\$8.7 million (2019: approximately HK\$36.5 million) and bank loans of approximately HK\$6,800.9 million (2019: approximately HK\$4,022.2 million), and other loans of approximately HK\$5,562.4 million (2019: HK\$4,133.6 million).

The borrowings were secured by (i) corporate guarantees provided by the Company and some of its subsidiaries; (ii) personal guarantee of a controlling shareholder; (iii) shares of a subsidiary; (iv) property, plant and equipment of approximately HK\$127.5 million (2019: approximately HK\$137.0 million); (v) investment properties of approximately HK\$5,554.8 million (2019: approximately HK\$4,561.5 million); (vi) properties under development of approximately HK\$6,491.2 million (2019: approximately HK\$5,116.5 million); and (vii) properties located in the PRC owned by an independent third party.

Capital and Other Commitments

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

Currency Exposure and Management

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

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

Future Plans for Capital Investment and Expected Source of Funding

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

Fund raising for future business development

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

Employees and Remuneration Policy

As at 31 December 2020, the Group had 1,036 (2019: 1,020) full-time employees in Hong Kong and the PRC. Employees' remuneration is determined in accordance with individual's responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical insurance, provident funds and other competitive fringe benefits.

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

USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN JULY 2019

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

On 17 December 2019, the Company issued and allotted 2,400,000,000 new Shares to the Subscriber and received a proceeds of approximately HK\$600,000,000. On 8 May 2020, the Company issued and allotted 1,600,000,000 new Shares to the Subscriber and received a proceeds of approximately HK\$400,000,000. The net proceeds of the Share Subscription were approximately HK\$999.4 million, HK\$919.4 million of which had been utilised as follows:

	<i>HK\$' million</i>
1. Provision of brokerage service and corporate finance	
(i) securities brokerage and margin financing; and	130.0
(ii) investment	39.4
(iii) corporate finance division	20.0
2. Expansion of asset management business	180.0
3. Expansion of money lending business	250.0
4. General working capital	300.0
	<hr/>
	919.4
	<hr/> <hr/>

Save for the HK\$80.0 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.

CONTINGENT LIABILITIES

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

SHARE OPTION SCHEME OF THE COMPANY

The Company operates a share option scheme (the “**Share Option Scheme**”) adopted pursuant to a resolution in writing passed by the shareholders of the Company on 2 June 2020. As at the date of this announcement, the total number of shares of the Company available for issue under the 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 announcement.

As at the date of this announcement, no option had been granted by the Company under the Share Option Scheme.

SHARE OPTION SCHEME OF GLORY SUN LAND GROUP LIMITED

Glory Sun Land Group Limited (“**Glory Sun Land**”) operates a share option scheme (the “**2014 Share Option Scheme**”) adopted pursuant to a resolution in writing passed by the shareholders of Glory Sun Land on 26 March 2014. As at the date of this announcement, the total number of shares of the Glory Sun Land available for issue under the 2014 Share Option Scheme is 24,691,756, representing approximately 0.54% of the entire issued share capital of Glory Sun Land as of the date of this announcement.

As at the date of this announcement, 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 31 December 2020 is nil.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods for determining eligibility to attend and vote at the 2021 annual general meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m., Friday, 28 May 2021
Closure of register of members:	Monday, 31 May 2021 to Thursday, 3 June 2021 (both days inclusive)
Record Date:	Thursday, 3 June 2021

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the placing of new shares under general mandate mentioned above and the disposal of 222,816,000 shares of the Company by Glory Sun Land on 24 December 2020, neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, there was sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENTAL MATTERS

The Group is determined to be a good corporate citizen by fulfilling its corporate social responsibilities and contributing to the society for the good for the community. In 2020, the Group provided donations to worthwhile organisations that help the needy and participated in various charitable activities. Meanwhile, it cares for its employees by providing safe and healthy working environment and regularly hosting events and activities for the employees to benefit from work-life balance.

The Group encourages its employees to minimize the use of paper by using e-files. While ensuring the observance of high level of confidentiality, employees are prompted to use reusable waste papers. The Group has largely replaced its lighting systems from metal halide lamps to light-emitting diode (LED) energy-saving lighting to reduce carbon emissions.

Details of the environmental policies and performance of the Group are disclosed in the 2020 Environmental, Social and Governance Report to be published in compliance with the requirements under the Listing Rules.

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. During the Year, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules, except the deviations disclosed herein.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the Directors. All Directors have confirmed that throughout the year ended 31 December 2020, they have complied with the provisions of the Model Code.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) 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 Audit Committee has reviewed and approved the preliminary announcement of the Group’s results for the year ended 31 December 2020.

SCOPE OF WORK OF INDEPENDENT AUDITORS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2020 have been agreed with the Group’s auditors, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

Potential Deemed Disposal arising from Placing of Shares by Glory Sun Land

On 18 March 2021, Glory Sun Land entered into a placing agreement (the “**Placing Agreement**”) with Glory Sun Securities Limited (the “**Placing Agent**”), a non wholly-owned subsidiary of the Company pursuant to which, Glory Sun Land conditionally agreed to issue under its general mandate granted by its shareholders at the annual general meeting on 2 June 2020, and the Placing Agent conditionally agreed to procure not fewer than six placees, on a best effort basis to subscribe for up to 910,020,959 new shares (the “**Placing Shares**”) of Glory Sun Land at a placing price of HK\$0.3 per placing share.

As at the date of this announcement, the Company is a controlling shareholder of Glory Sun Land, holding 3,145,544,700 shares in Glory Sun Land, representing approximately 69.13% of the total issued share capital of Glory Sun Land. Assuming all the Placing Shares are placed under the Placing Agreement, the shareholding interest of the Company in Glory Sun Land will be diluted from approximately 69.13% to approximately 57.61% (assuming there will be no other change to the issued share capital of Glory Sun Land between 18 March 2021 and the date of the completion of the placing, other than the issue by Glory Sun Land of the Placing Shares). Accordingly, such dilution of shareholding interest in Glory Sun Land of the Company constitutes a deemed disposal transaction (the “**Deemed Disposal Transaction**”) of the Company under the Listing Rules.

Following the completion of the placing, given that the Company, subject to the applicable accounting standards, will continue to control over Glory Sun Land, Glory Sun Land will remain as a subsidiary of the Company and its financial results and financial positions will continue to be consolidated in the consolidated financial statement of the Group.

Please refer to the announcement of the Company dated 18 March 2021 for more details regarding the Deemed Disposal Transaction.

Other than the disclosure above and elsewhere in this announcement, there is no other significant event identified by the management subsequent to the reporting period up to the date of this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is expected to be held on Thursday, 3 June 2021 and notice of the annual general meeting will be published and dispatched to the Shareholders in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hk1282.com). The 2020 Annual Report will be dispatched to the Shareholders and available on the same websites in due course.

APPRECIATION

I would like to take this opportunity to express my appreciation to fellow members of the Board, and the entire workforce for their dedication and hard work over the past year. I wish to also thank all of the Group's shareholders and stakeholders for their unwavering support. Looking forward, the Group will embrace each and every challenge with our consistent adherence to the spirit of "Create, Blend and Share Together" to create stable and satisfactory return for the Shareholders with our utmost endeavour to maximize the value for each and every Shareholder and investors of the Company alike so that we can create better return together.

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

Hong Kong, 22 March 2021

As at the date of this announcement, the Company's executive directors are Mr. Yao Jianhui, Mr. Lau Wan Po, Mr. Li Minbin and Mr. Huang Wei; the non-executive director is Mr. Zhang Chi; and the independent non-executive directors are Mr. Wong Chun Bong, Professor Lee Kwok On, Matthew, and Mr. Lee Kwan Hung, Eddie.

* *For identification purpose only*