



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)

2019 Interim Report 中期報告



<http://www.hk1282.com>





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). The Company and its subsidiaries (collectively the "Group" or "Glory Sun Financial") has successfully promoted the transformation of its business towards high value enhancement and diversification. The Group is currently engaged in the business of financial services, automation, property investment and development, manufacturing, securities investment and trading of commodities.

In financial services, the Group, through its subsidiaries, provides securities, futures, precious metals trading, asset management, wealth management, corporate finance and credit financing services in Hong Kong and provides asset management, investment management and finance leasing services in Mainland China. To grasp business opportunities in emerging industries, the Group is also actively developing new energy industries, energy saving and intelligent manufacturing business.

Adhering to the philosophy of "sustainable development and giving back to the community," Glory Sun Financial is committed to providing customers with all-rounded quality products and services, to maximize return for our shareholders, and at the same time strive to contribute to the well-being of the society as a whole. Looking ahead, with the optimization of business structure and enhancement of profitability, the Group will grasp the pulse of the era and opportunities of new industries while actively looking for local and overseas partners to promote the overall development of the Group in the future.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Ms. Ye Weiqing — *Co-Chairman (appointed on 30 August 2019)*

Mr. Lau Wan Po — *Vice Chairman*

Mr. Li Minbin

Mr. Huang Wei

Non-Executive Directors

Mr. Zhang Chi (*redesignated on 30 August 2019*)

Independent Non-Executive Directors

Mr. Wong Chun Bong

Professor Lee Kwok On, Matthew

Mr. Lee Kwan Hung

AUDIT COMMITTEE

Mr. Wong Chun Bong — *Chairman*

Mr. Zhang Chi (*appointed on 30 August 2019*)

Professor Lee Kwok On, Matthew

NOMINATION COMMITTEE

Mr. Yao Jianhui — *Chairman*

Mr. Wong Chun Bong

Mr. Lee Kwan Hung

REMUNERATION COMMITTEE

Professor Lee Kwok On, Matthew — *Chairman*

Mr. Yao Jianhui

Mr. Wong Chun Bong

INVESTMENT COMMITTEE

Mr. Yao Jianhui — *Chairman*

Ms. Ye Weiqing (*appointed on 30 August 2019*)

Mr. Lau Wan Po

Mr. Li Minbin

Mr. Huang Wei

STRATEGIC COMMITTEE

Mr. Yao Jianhui — *Chairman*

Ms. Ye Weiqing (*appointed on 30 August 2019*)

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 CITIC Bank International Limited

China Construction Bank (Asia) Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

BDO Limited

Certified Public Accountants



Corporate Information

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

Units 1908 to 1909, 19/F, Tower 2
Lippo Centre, No. 89 Queensway
Hong Kong

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/1282

BOARD LOT

4,000 shares

COMPANY WEBSITE

<http://www.hk1282.com>



Financial Highlights

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2019	2018
OPERATING RESULTS		
Revenue (HK\$'million)	2,012.6	914.0
Gross profit (HK\$'million)	54.4	322.4
Operating profit (HK\$'million)	535.1	349.8
EBITDA (HK\$'million) (Note 1)	626.9	359.4
EBIT (HK\$'million) (Note 2)	609.2	348.9
Net Profit (HK\$'million)	458.2	263.5
Profit attributable to owners of the Company (HK\$'million)	373.3	243.7
Gross profit margin	2.7%	35.3%
Operating profit margin	26.6%	38.3%
Net profit margin	22.8%	28.8%
Earnings per share (HK cent)		
— Basic	1.42	0.94
— Diluted	1.42	0.94
	As at 30 June 2019	As at 31 December 2018
FINANCIAL POSITION		
Total assets (HK\$'million)	27,662.9	10,781.2
Net assets (HK\$'million)	11,023.2	6,964.8
Cash and cash equivalents (HK\$'million)	2,345.8	907.1
Borrowings (HK\$'million)	9,891.7	1,686.4
Current ratio	1.4	1.4
Gearing ratio (Note 3)	89.7%	24.2%

Notes:

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



Report on Review of Interim Financial Information



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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 financial information set out on pages 8 to 63 which comprise the condensed consolidated statement of financial position of Glory Sun Financial Group Limited (formerly known as China Goldjoy Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2019 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 financial information"). 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 of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information 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 Financial Information

CONCLUSION

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

OTHER MATTER

The comparative unaudited interim financial information for the six-month period ended 30 June 2018 were reviewed by another auditor who expressed an unmodified opinion on 17 August 2018.

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate no. P04743

Hong Kong, 29 August 2019



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing operations			
Revenue	5	2,012,607	914,021
Cost of sales		(1,958,241)	(591,634)
Gross profit		54,366	322,387
Other gains/(losses) — net	6	27,350	(4,987)
Other income	6	24,044	21,956
Gain on bargain purchase	27	696,412	44,042
Loss on remeasurement of pre-existing interest in an associate	27	(176,869)	—
Fair value gain on investment properties		138,358	126,078
Distribution costs		(23,478)	(13,514)
Administrative expenses		(205,133)	(146,168)
Profit from operations		535,050	349,794
Finance costs — net	9	(49,386)	(14,178)
Share of results of associates		14,717	3,562
Profit before income tax from continuing operations		500,381	339,178
Income tax expense	10	(101,636)	(75,708)
Profit for the period from continuing operations	7	398,745	263,470
Discontinued operation			
Profit for the period from discontinued operation	8	59,429	—
Profit for the period		458,174	263,470
Profit attributable to:			
Owners of the Company			
— Continuing operations		332,260	243,673
— Discontinued operation		41,071	—
		373,331	243,673
Non-controlling interests			
— Continuing operations		66,485	19,797
— Discontinued operation		18,358	—
		84,843	19,797
		458,174	263,470



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit for the period		458,174	263,470
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		(146,041)	(58,155)
Release of exchange reserve on disposal of subsidiaries	29	(2,438)	–
Share of other comprehensive income of associates		(61,200)	–
<i>Items 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		(218,969)	(1,542,643)
Other comprehensive income for the period		(428,648)	(1,600,798)
Total comprehensive income for the period		29,526	(1,337,328)
Total comprehensive income for the period attributable to:			
— Owners of the Company		(37,254)	(1,353,897)
— Non-controlling interests		66,780	16,569
		29,526	(1,337,328)
Earnings per share from continuing and discontinued operations			
— Basic (HK cents)	11	1.42	0.94
— Diluted (HK cents)	11	1.42	0.94
Earnings per share from continuing operations			
— Basic (HK cents)	11	1.26	0.94
— Diluted (HK cents)	11	1.26	0.94
Earnings per share from discontinued operations			
— Basic (HK cents)	11	0.16	N/A
— Diluted (HK cents)	11	0.16	N/A



Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	627,981	409,910
Prepaid land lease payments		–	4,839
Investment properties	13	6,827,111	3,082,784
Intangible assets	13	901,517	189,087
Investments in associates	14	326,779	1,154,558
Financial assets at fair value through other comprehensive income	15	851,356	903,857
Finance lease receivables		79,806	91,394
Deposits and other receivables	18	217,285	24,275
Derivative financial assets		6,830	–
Deferred tax assets		43,115	–
		9,881,780	5,860,704
Current assets			
Inventories		42,072	42,081
Properties under development		7,121,273	863,272
Completed properties held for sale		1,017,661	353,118
Loans and advances	16	901,673	960,394
Trade receivables	17	265,107	154,417
Contract assets		331,327	37,224
Finance lease receivables		52,100	44,244
Prepayments, deposits and other receivables	18	4,472,825	207,684
Financial assets at fair value through profit or loss	19	345,282	982,589
Client trust bank balances		548,231	261,084
Restricted cash		40,226	67,893
Pledged bank deposits		268,416	–
Time deposits with original maturity over three months		29,113	39,350
Cash and cash equivalents		2,345,799	907,123
		17,781,105	4,920,473
Total assets		27,662,885	10,781,177



Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Current liabilities			
Trade and bills payables	20	2,655,040	779,925
Contract liabilities		611,183	291,438
Accruals and other payables	21	1,681,706	637,512
Consideration payable		123,193	–
Borrowings	22	7,264,424	1,654,504
Lease liabilities		9,264	–
Current tax liabilities		205,462	100,654
		12,550,272	3,464,033
Net current assets		5,230,833	1,456,440
Total assets less current liabilities		15,112,613	7,317,144
Non-current liabilities			
Borrowings	22	2,627,310	31,847
Lease liabilities		30,573	–
Consideration payable		130,065	–
Financial guarantees	25	33,836	–
Deferred tax liabilities		1,267,594	320,543
		4,089,378	352,390
Total liabilities		16,639,650	3,816,423
NET ASSETS		11,023,235	6,964,754
EQUITY			
Share capital	23	2,738,751	2,586,981
Reserves		4,811,348	3,715,486
Equity attributable to owners of the Company		7,550,099	6,302,467
Non-controlling interests		3,473,136	662,287
TOTAL EQUITY		11,023,235	6,964,754



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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	Other reserves HK\$'000	Available-for-sale financial assets HK\$'000	Financial assets of fair value through other comprehensive income reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
(Unaudited)												
For the six months ended												
30 June 2018												
At 1 January 2018 (previously stated)	2,467,933	3,700,285	(215,150)	12,411	103,755	(216,087)	51,049	-	112,679	1,229,040	523,466	7,769,381
Change in accounting policy	-	-	-	-	-	-	(51,049)	51,049	-	(2,596)	(649)	(3,245)
At 1 January 2018 (restated)	2,467,933	3,700,285	(215,150)	12,411	103,755	(216,087)	-	51,049	112,679	1,226,444	522,817	7,766,136
Profit for the period	-	-	-	-	-	-	-	-	-	243,673	19,797	263,470
Other comprehensive income:												
Net changes in the fair value of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,542,643)	-	-	-	(1,542,643)
Currency translation differences	-	-	-	-	-	-	-	-	(54,927)	-	(3,228)	(58,155)
Total other comprehensive income	-	-	-	-	-	-	-	(1,542,643)	(54,927)	-	(3,228)	(1,600,798)
Total comprehensive income	-	-	-	-	-	-	-	(1,542,643)	(54,927)	243,673	16,569	(1,337,328)
Proceeds from issuance of shares (Note 23)	119,048	630,952	-	-	-	-	-	-	-	-	-	750,000
Transactions with non- controlling interests (Note 28)	-	-	-	-	-	38,751	-	-	-	-	129,449	168,200
Transfer of accumulated gain of a financial asset at fair value through other comprehensive income within equity	-	-	-	-	-	-	-	(66,261)	-	66,261	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(131,936)	-	(131,936)
At 30 June 2018	2,586,981	4,331,237	(215,150)	12,411	103,755	(177,336)	-	(1,557,855)	57,752	1,404,442	668,835	7,215,072



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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
(Unaudited)												
For the six months ended 30 June 2019												
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	-	-	-	-	-	-	-	-	-	373,331	84,843	458,174
Other comprehensive income:												
Net changes in the fair value of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(213,765)	-	-	(5,204)	(218,969)
Share of other comprehensive income of associates	-	-	-	-	-	-	(61,200)	-	-	-	-	(61,200)
Release of exchange reserve on disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,685)	-	(753)	(2,438)
Currency translation differences	-	-	-	-	-	-	-	-	(133,935)	-	(12,106)	(146,041)
Total other comprehensive income	-	-	-	-	-	-	(61,200)	(213,765)	(135,620)	-	(18,063)	(428,648)
Total comprehensive income	-	-	-	-	-	-	(61,200)	(213,765)	(135,620)	373,331	66,780	29,526
Arising from step acquisition (Note 27(a))	150,850	324,329	-	-	-	(70,187)	-	-	-	-	2,177,166	2,582,158
Acquisition of a subsidiary (Note 27(b))	-	-	-	-	-	-	-	-	-	-	22,515	22,515
Disposal of a subsidiary (Note 29)	-	-	-	-	-	-	-	-	-	-	28,618	28,618
Transactions with non-controlling interests (Note 28)	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	(215,150)	12,411	118,547	(70,187)	671,572	(2,224,367)	(244,061)	2,291,889	3,473,136	11,023,235



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(1,778,453)	(600,678)
Income tax paid	(8,324)	(10,687)
Net cash used in operating activities	(1,786,777)	(611,365)
Cash flows from investing activities		
Additions of property, plant and equipment	(14,556)	(5,692)
Payment for construction costs of investment properties	(192,885)	(438,952)
Additions of assets classified as held-for-sale	–	(9,222)
Purchase of financial assets at fair value through other comprehensive income	–	(1,898,989)
Purchase of financial assets at fair value through profit and loss	(109,241)	–
Proceeds received from disposal of financial assets at amortised costs	–	60,000
Proceeds received from disposal of property, plant and equipment	2,673	3,463
Disposal of a subsidiary	(4)	–
Proceeds received from disposal of financial assets at fair value through other comprehensive income	–	897,892
Proceeds received from disposal of financial assets at fair value through profit and loss	589,625	–
Interest received	1,691	42,739
Dividend received from other investments	567	752
Increase in pledged bank deposits	(10,624)	–
Contribution to a newly incorporated associate	–	(450,000)
Payment for acquisition of subsidiaries, net of cash acquired	302,312	(434,070)
Decrease in time deposits with original maturity over three months	10,177	–
Net cash generated from/(used in) investing activities	579,735	(2,232,079)



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from financing activities		
Drawdown of bank borrowings and other loans	5,104,526	1,397,214
Repayment for bank borrowings and other loans	(2,601,386)	(62,798)
Repayment of principal portion on lease liabilities	(5,586)	–
Proceeds from issuance of corporate bonds	716,500	56,000
Proceeds from issuance of shares	–	750,000
Settlement of corporate bonds	(56,000)	(1,050)
Interest paid	(214,253)	(15,994)
Transactions with non-controlling interests	(191,584)	10,000
Dividend paid	(54,775)	(131,936)
Net cash generated from financing activities	2,697,442	2,001,436
Net increase/(decrease) in cash and cash equivalents	1,490,400	(842,008)
Cash and cash equivalents at beginning of the period	907,123	2,231,369
Exchange loss on cash and cash equivalents	(51,724)	(31,933)
Cash and cash equivalents at end of the period	2,345,799	1,357,428



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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 Units 1908 to 1909, 19/F, Tower 2 Lippo Centre, No. 89 Queensway Hong Kong.

Pursuant to the passing of a special resolution at the extraordinary general meeting held on 30 April 2019, the English name of the Company was changed from “China Goldjoy Group Limited” to “Glory Sun Financial Group Limited” and the Chinese name of the Company was changed from “中國金洋集團有限公司” to “寶新金融集團有限公司”. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 2 May 2019 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Hong Kong Companies Registry on 22 May 2019.

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

This interim financial information is presented in thousands of units of Hong Kong dollars, unless otherwise stated. This interim financial information has been reviewed by audit committee of the Company and approved by the board of directors for issue on 29 August 2019.

This interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2019 has 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. The interim financial information 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 2018.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES

The accounting policies applied that have been used in the preparation of the interim financial information are consistent with those used in the Group's financial statements for the year ended 31 December 2018, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, HKASs and Interpretations effective for the first time for annual period beginning on 1 January 2019.

3.1 New and amended standards adopted by the Group

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial year beginning on 1 January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Other than as noted below, the adoption of the new HKFRSs has no material impact on the interim financial information.

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2019 and the Group has not early adopted the rules.

HKFRS 16 — Leases ("HKFRS 16")

The Group has initially applied HKFRS 16 on 1 January 2019. HKFRS 16 replaces HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an arrangement contains a lease, HK(SIC) 15 Operating leases — incentives, and HK(SIC) 27 Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES *(Continued)*

3.1 New and amended standards adopted by the Group *(Continued)*

HKFRS 16 *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component and non-lease component, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES *(Continued)*

3.1 New and amended standards adopted by the Group *(Continued)*

HKFRS 16 *(Continued)*

(b) Lessee accounting (Continued)

(i) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES *(Continued)*

3.1 New and amended standards adopted by the Group *(Continued)*

HKFRS 16 *(Continued)*

(b) Lessee accounting (Continued)

(ii) Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

(c) Lessor accounting

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



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES *(Continued)*

3.1 New and amended standards adopted by the Group *(Continued)*

HKFRS 16 *(Continued)*

(d) Critical accounting judgements and sources of estimation uncertainty in applying HKFRS 16

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(e) Transitional impact and practice expedients applied

The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate at 1 January 2019. The weighted average of the incremental borrowing rates applied to lease liabilities recognised in the condensed consolidated statement of financial position at 1 January 2019 was 6.30%.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES *(Continued)*

3.1 New and amended standards adopted by the Group *(Continued)*

HKFRS 16 *(Continued)*

(e) Transitional impact and practice expedients applied (Continued)

To ease the transition to HKFRS 16, the Group applied the following practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ending on or before 31 December 2019; and
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK\$'000
Operating lease commitments at 31 December 2018	12,995
Less: commitments relating to leases with remaining lease term ending on or before 31 December 2019	(1,065)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	1,195
	13,125
Less: total future interest expenses	(596)
Lease liabilities at 1 January 2019	12,529
Of which are:	
— current lease liabilities	8,928
— non-current lease liabilities	3,601
	12,529



Notes to the Interim Financial Information

For the six months ended 30 June 2019

3 ACCOUNTING POLICIES (Continued)

3.1 New and amended standards adopted by the Group (Continued)

HKFRS 16 (Continued)

(e) Transitional impact and practice expedients applied (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included. The information presented for 2019 has not been restated.

	Carrying amounts at 31 December 2018 HK\$'000	Impacts of adoption on HKFRS 16 HK\$'000	Carrying amounts at 1 January 2019 HK\$'000
Assets:			
Prepaid land lease payments	4,839	(4,839)	–
Property, plant and equipment	409,910	17,368	427,278
Liabilities:			
Lease liabilities	–	12,529	12,529

Operating leases and prepaid land lease payments in respect of the land use right in the People's Republic of China (the "PRC") are currently recognised as right-of-use assets upon application of HKFRS 16 and are included in the same line item as property, plant and equipment as that within which the corresponding assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the interim financial information, the management requires to make significant judgements, estimates and assumptions in applying the accounting policies and key sources of estimation uncertainty.

Except than the critical accounting estimate and judgements mentioned in note 3.1(d), in preparing the interim condensed consolidated financial information, 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 2018.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION

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

Automation	— trading of automated production related equipment and provision of related services business
Financial Services	— regulated business activities in respect to financial services under the Securities and Futures Ordinance in Hong Kong
Manufacturing	— manufacturing of a range of high-technology and new energy products
Property Investment and Development	— property investment activities and property development project in Hong Kong and the PRC and provision of construction works in the PRC
Securities Investment	— investment activities through direct investments in listed and unlisted securities
Trading of commodities	— trading of commodities
Provision of online game services and platform services	— design, development and operation of the mobile and web games and platform services
Others	— operation of golf practise court and yacht club and provision of international education and training services

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

Certain other gains-net, other income, central administrative expenses and directors' emoluments are not allocated to segments, as they are inseparable and not attributable to particular reportable segments. Finance costs-net, fair value loss on contingent consideration payable, fair value gain on investment properties, fair value gain on derivative financial assets, net impairment losses on financial assets and contract assets, share of results of associates, loss on remeasurement on pre-existing interest in an associate, gain from derecognition of financial guarantee and gain on bargain purchase from acquisition of an subsidiary are not allocated to segments, as these type of activities are managed by central finance and accounting function, which manages the working capital of the Group. The CEO assesses the performance of the operating segments based on a measure of operating, which is in a manner consistent with that of the interim condensed consolidated financial statements.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION (Continued)

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

	Discontinued operation																				
	Continuing operations																				
	Provision of Online Game Services		Automation		Financial Services		Manufacturing		Property Investment and Development		Securities Investment		Trading of commodities		Inter-segment Others		elimination		Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Six months ended 30 June 2019 (unaudited)																					
Revenue	37	336,644	103,079	13,654	672,972	(178,047)	1,057,742	18,812	(12,249)											2,012,644	
Operating profit/(loss)	59,429	24,795	54,771	(28,813)	265,931	(207,195)	2,159	(16,319)	-											154,758	
Unallocated:																					
Other gains — net																					14,151
Other income																					8,936
Loss on remeasurement on pre-existing interest in an associate																					(176,869)
Administrative expenses																					(131,073)
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																					559,810



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION (Continued)

	Automation HK\$'000	Financial Services HK\$'000	Manufacturing HK\$'000	Property Investment and Development HK\$'000	Securities Investment HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Six months ended 30 June 2018							
(unaudited)							
Revenue	266,941	97,136	39,508	359,114	159,102	(7,780)	914,021
Operating profit/(loss)	11,270	38,646	(10,577)	194,206	133,543	-	367,088
Unallocated							
Other losses — net							(5,137)
Other income							9,404
Administrative expenses							(21,561)
Finance costs — net							(14,178)
Share of result of associates							3,562
Profit before income tax							339,178

For the six months ended 30 June

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other segment items — depreciation and amortisation		
Automation	(753)	(56)
Financial Services	(7,658)	(4,417)
Manufacturing	(189)	(1,374)
Property Investment and Development	(2,071)	(1,484)
Securities Investment	(747)	(207)
Others	(8,817)	-
Unallocated	(8,367)	(2,954)
Total	(28,602)	(10,492)



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION (Continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Segment assets		
Automation	459,165	472,818
Financial Services	1,929,347	1,484,548
Manufacturing	117,055	144,107
Property Investment and Development	21,001,548	4,938,722
Securities Investment	562,205	1,927,674
Trading of commodities	2,488	–
Others	887,916	–
Segment assets for reportable segments	24,959,724	8,967,869
Unallocated:		
Property, plant and equipment	395,685	258,861
Financial assets at fair value through other comprehensive income ("FVOCI")	343,539	148,126
Investments in associates	326,779	1,154,558
Prepayments, deposits and other receivables	55,117	41,180
Financial assets at fair value through profit or loss ("FVTPL")	23,111	155,191
Cash and cash equivalents	1,353,289	55,392
Others	205,641	–
Total assets	27,662,885	10,781,177



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Segment liabilities		
Automation	150,081	175,051
Financial Services	553,049	745,807
Manufacturing	52,315	49,840
Property Investment and Development	12,920,428	1,880,175
Securities Investment	274,731	336,371
Trading of commodities	2,140	–
Others	306,466	–
Segment liabilities for reportable segments	14,259,210	3,187,244
Unallocated:		
Accruals and other payables	258,807	12,720
Borrowings	1,731,838	436,202
Lease liabilities	8,243	–
Current tax liabilities	59,246	100,654
Deferred tax liabilities	33,273	79,603
Others	289,033	–
Total liabilities	16,639,650	3,816,423



Notes to the Interim Financial Information

For the six months ended 30 June 2019

5 SEGMENT INFORMATION (Continued)

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing operations:		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
— Sale of goods	346,235	295,781
— Sale of properties	624,391	338,671
— Installation and maintenance income	1,335	10,668
— Commission and brokerage income	29,622	26,056
— Management fee and performance fee income	3,729	5,225
— Trading of commodities	1,057,742	—
— Training services	6,294	—
— Yacht club services	6,026	—
— Construction contracts	12,517	—
— Others	2,068	—
	2,089,959	676,401
<i>Revenue from other sources</i>		
— Securities investment (loss)/income	(157,961)	161,183
— Interest income from money lending	46,877	60,160
— Rental income	33,732	16,277
	(77,352)	237,620
Revenue from continuing operations	2,012,607	914,021
Discontinued operation:		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
— Online game operation	37	—
Timing of revenue recognition		
— At a point in time	2,061,430	671,176
— Transferred over time	28,566	5,225
	2,089,996	676,401



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing and discontinued operations:		
Other gains/(losses) — net		
Loss on conversion of a financial asset at FVTPL from preferred shares to ordinary shares	—	(7,156)
Reversal of provision	—	1,968
Loss on disposal of property, plant and equipment	(1,461)	—
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	—
Others	96	201
	27,350	(4,987)
Other income		
Dividend income	567	752
Patents' licence income	—	1,742
Consultancy income	3,463	9,197
Refund of income tax fee	2,083	—
Government subsidy	7,200	4,145
Rental income	3,153	—
Others	7,578	6,120
	24,044	21,956



Notes to the Interim Financial Information

For the six months ended 30 June 2019

7 PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit for the period from continuing operations arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Amortisation of other intangible assets	3,231	3,368
Amortisation of operating right	10,897	–
Amortisation of prepaid land lease payments	–	57
Acquisition-related costs (included in administrative expenses)	7,629	1,436
Depreciation of property, plant and equipment	14,474	7,067
Directors' and chief executive's emoluments	6,970	3,188
Employee benefit expenses	75,550	77,216
Fair value loss on contingent consideration payable	605	–
Fair value gain on derivative financial assets	(1,972)	–
Loss/(gain) on disposal of property, plant and equipment	1,461	(2,619)
Gain on bargain purchase	(696,412)	(44,042)
Loss on remeasurement of pre-existing interest in an associate	176,869	–
Net foreign exchange losses	46,311	4,213
Provision for impairment on trade receivables	1,444	–
Provision for impairment of other receivables	1,342	–
(Reversal of)/provision for impairment on loans and advance and margin loans	(3,559)	2,865
Provision for impairment on contract assets	164	–
Written down on inventories	19,699	–
Research and development expenses	2,582	1,636



Notes to the Interim Financial Information

For the six months ended 30 June 2019

8. DISCONTINUED 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. Details of the assets and liabilities disposed of and the gain on disposal are disclosed in note 29.

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	37	–
Cost of sales	(1,468)	–
Selling expenses	(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 (Note 29)	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.

The Group acquired Kingworld Holdings in April 2019 through the step acquisition from an associate to a subsidiary and therefore the comparative of the consolidated statement of comprehensive income and the related notes have not been re-presented.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

9 FINANCE COSTS — NET

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing and discontinued operations:		
Finance income		
— Interest income on bank deposits	3,040	2,961
— Interest income on financial assets at amortised costs	—	1,617
— Interest income from finance leases	—	9,794
	3,040	14,372
Finance costs		
— Bank loans	(17,233)	(21,617)
— Trust receipt loans	(268)	(1,181)
— Corporate bonds	(15,698)	(1,339)
— Other loans	(13,068)	—
— Lease liabilities	(494)	—
— Adjustment on put option liability in relation to acquisition of subsidiaries	—	(4,413)
— Imputed interest on consideration payable	(5,665)	—
	(52,426)	(28,550)
	(49,386)	(14,178)

Note: During the six months ended 30 June 2019, finance costs of HK\$104,626,000 was capitalised (six months ended 30 June 2018: Nil).



Notes to the Interim Financial Information

For the six months ended 30 June 2019

10 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Continuing and discontinued operations:		
Current income tax		
— Hong Kong Profits Tax	5,900	61,666
— PRC enterprise income tax	24,618	41,314
— PRC land appreciation tax ("LAT")	7,960	8,731
	38,478	111,711
Deferred income tax	63,158	(36,003)
	101,636	75,708

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 2019 (for the six months ended 30 June 2018: 16.5%).

The statutory income tax rate applicable to entities operating in the PRC is 25% (for the six months ended 30 June 2018: 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 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 Financial Information

For the six months ended 30 June 2019

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 26,359,819,000 (2018: 25,810,611,000) 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:

	For the six months ended 30 June	
	2019 '000 (Unaudited)	2018 '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	26,359,819	25,810,611

(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	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	373,331	243,673
Basic earnings per share (expressed in Hong Kong cents per share)	1.42	0.94



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	332,260	243,673
Basic earnings per share (expressed in Hong Kong cents per share)	1.26	0.94

(c) From discontinued operation

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

	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	41,071	–
Basic earnings per share (expressed in Hong Kong cents per share)	0.16	N/A



Notes to the Interim Financial Information

For the six months ended 30 June 2019

12 DIVIDEND

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Final dividend paid		
— HK0.20 (2017: HK0.51) cent per share	54,775	131,936

No interim dividend was declared by the board of directors for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

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

During the six months ended 30 June 2019, the Group incurred expenditures of approximately HK\$14,556,000 (six months ended 30 June 2018: HK\$5,692,000) and HK\$192,885,000 (six months ended 30 June 2018: HK\$34,425,000) on property, plant and equipment and investment properties respectively and no expenditures incurred on intangible assets (six months ended 30 June 2018: Nil). Plant and machinery with a net book value of HK\$4,134,000 (six months ended 30 June 2018: Nil) were disposed.

Right-of-use assets relating to operating leases and prepaid land lease payments in the PRC are currently recognised as right-of-use assets upon the application of HKFRS 16 and are included in the same line item as property, plant and equipment.

During the six months ended 30 June 2019, the Group has recorded a fair value gain on investment properties of approximately HK\$138,358,000 (six months ended 30 June 2018: HK\$126,078,000).

Buildings included in property, plant and equipment and investment properties with carrying amounts amounted to HK\$252,709,000 and HK\$2,945,869,000 (31 December 2018: HK\$255,894,000 and HK\$1,264,920,000) respectively, have been pledged to certain banks to secure the Group's bank borrowings.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

14 INVESTMENTS IN ASSOCIATES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Share of net assets	326,779	1,154,558

On 23 April 2019, the Group completed the step acquisition of Glory Sun Land Group Limited (formerly known as New Sports Group Limited) ("Glory Sun Land"). As a result, the Group's interest in Glory Sun Land increased from 29.19% to 66.35% on 23 April 2019 and Glory Sun Land became a subsidiary of the Company. Further details of this transaction are set out in note 27(a) to the interim financial information.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Listed shares		
— Equity securities — Norway	20,487	37,649
— Equity securities — the USA	30,198	5,628
— Equity securities — Hong Kong	279,576	340,177
— Equity securities — the PRC	416,247	415,555
	746,508	799,009
Unlisted shares	104,848	104,848
	851,356	903,857

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 Financial Information

For the six months ended 30 June 2019

16 LOANS AND ADVANCES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Loans and advances (Note (a))	582,927	437,780
Margin loan receivables (Note (b))	347,549	554,976
	930,476	992,756
Less: Provision for impairment	(28,803)	(32,362)
Loans and advances — net	901,673	960,394

Notes:

- (a) The loans and advances are secured by properties and equity investments held by the borrowers. Credit limits are set for borrowers based on the quality of collateral held and the financial background of the borrower. Collateral values and overdue balances are reviewed and monitored regularly.

The carrying amounts of loans and advances are 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 2019, margin loan receivables were secured by securities pledged by the clients to the Group as collaterals with undiscounted market value of HK\$1,606,891,000 (2018: HK\$3,315,160,000).



Notes to the Interim Financial Information

For the six months ended 30 June 2019

17 TRADE RECEIVABLES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Trade receivables	278,553	166,419
Less: Provision for impairment	(13,446)	(12,002)
	265,107	154,417

For customers of Manufacturing, the Group generally grants a credit period of 30 to 90 days (31 December 2018: 30 to 90 days) to its customers. For customers of Automation products, a credit period ranging from 30 days to 60 days (31 December 2018: 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 2018: 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 2018: upon issuance of invoices). For customers of provision of education services, the Group granted a credit period of 30 days (31 December 2018: Nil).

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

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
0 to 30 days	143,864	82,218
31 to 60 days	5,954	15,614
61 to 90 days	4,434	26,571
91 to 120 days	2,957	27,275
Over 120 days	121,344	14,741
	278,553	166,419



Notes to the Interim Financial Information

For the six months ended 30 June 2019

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Utilities and other deposits	148,570	82,219
Value-added tax recoverable	113,126	8,200
Consideration receivables	1,426,339	51,813
Consultancy fee income receivables	20,576	20,658
Deposits and prepayment for inventories and property development	2,875,875	57,157
Interest receivable	1,776	427
Others	103,848	11,485
	4,690,110	231,959
Less: Non-current portion	(217,285)	(24,275)
	4,472,825	207,684



Notes to the Interim Financial Information

For the six months ended 30 June 2019

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Listed securities:		
— Equity securities — the PRC	15,714	10,698
— Equity securities — Hong Kong	316,387	827,398
	332,101	838,096
Other securities	—	551
Debt instrument at FVTPL	13,181	143,942
	345,282	982,589

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 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Trade payables	2,642,525	764,447
Bills payables	12,515	15,478
	2,655,040	779,925



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
0 to 30 days	2,278,033	711,507
31 to 60 days	4,844	11,994
61 to 90 days	1,018	5,785
91 to 120 days	18,567	5,337
Over 120 days	352,578	45,302
	2,655,040	779,925

21 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Accrued operating expenses	46,978	45,403
Provision for value-added tax and other taxes in the PRC	48,622	74,598
Deposits received	521,817	50,381
Payables for construction costs	212,977	184,102
Put option liability in relation to acquisition of subsidiaries	–	247,146
Interest payables	400,983	–
Others	450,329	35,882
	1,681,706	637,512



Notes to the Interim Financial Information

For the six months ended 30 June 2019

22 BORROWINGS

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Current HK\$'000	Non-current HK\$'000	Current HK\$'000	Non-current HK\$'000
Secured				
Obligations under repurchase agreement	80,000	–	–	–
Bank loans	2,085,530	2,617,310	667,274	–
Margin loan	22,500	–	331,765	–
Trust receipts loans	35,966	–	30,119	–
Notes payable	215,650	–	–	–
	2,439,646	2,617,310	1,029,158	–
Unsecured				
Corporate bonds	1,356,500	10,000	145,767	31,847
Other loans	3,284,978	–	–	–
Bank overdraft	5,568	–	194	–
Loans from related parties (Note 26(b))	177,732	–	479,385	–
	4,824,778	10,000	625,346	–
	7,264,424	2,627,310	1,654,504	31,847



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Within one year	2,342,714	697,587	4,921,710	956,917
More than one year, but not exceeding two years	288,290	–	10,000	31,847
More than two years, but not exceeding five years	2,329,020	–	–	–
	4,960,024	697,587	4,931,710	988,764

The current liabilities include bank loans of HK\$868,994,000 (31 December 2018: bank loans of HK\$128,579,000) that 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 2019, the effective interest rates of bank and other borrowings ranged from 3.7% to 30% (31 December 2018: ranged from 3.5% to 7.4%).

As at 30 June 2019, bank borrowings were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) personal guarantee of a controlling shareholder; (iii) shares of a subsidiary; (iv) property, plant and equipment and investment properties of the Group (note 13); (v) properties under development with carrying amounts of approximately HK\$3,389,000,000; (vi) two properties located in the PRC owned by an independent third party and (vii) deposits of HK\$6,000,000. Besides, the Group has utilised approximately HK\$215,650,000 of notes payable which was secured by a charge over the pledged bank deposits amounted to HK\$250,000,000.

As at 31 December 2018, bank borrowings were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) property, plant and equipment and investment properties of the Group (note 13); (iii) deposits of HK\$6,000,000 and (iv) collateral of the Group's margin clients amounted to approximately HK\$490,015,000.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

22 BORROWINGS (Continued)

During the ended of 30 June 2019, 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 2019, the aggregate carrying amounts of the listed securities amounted to approximately HK\$113,410,000 (31 December 2018: Nil).

As at 30 June 2019, margin loan was secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK\$233,595,000 (31 December 2018: HK\$527,841,000).

As at 30 June 2019, loans from related parties of HK\$177,732,000, which are denominated in RMB, were unsecured, repayable within 1 year and interest bearing ranged from 5% to 16% per annum.

As at 31 December 2018, loans from related parties of HK\$479,385,000, which are denominated in RMB, were unsecured, repayable within 1 year and interest bearing at 5% per annum.

As at 30 June 2019 and 31 December 2018, the Group has not breached any of the loan facilities.

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
US dollar	35,966	28,058
Japanese yen	-	2,061
Hong Kong dollar	2,015,507	1,007,453
RMB	7,840,261	648,779
	9,891,734	1,686,351



Notes to the Interim Financial Information

For the six months ended 30 June 2019

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 2018 (Audited)	24,679,330	2,467,933
Shares issued (Note (a))	1,190,476	119,048
At 31 December 2018 (Audited)	25,869,806	2,586,981
At 1 January 2019 (Audited)	25,869,806	2,586,981
Shares issued (Note (b))	1,517,706	151,770
At 30 June 2019 (Unaudited)	27,387,512	2,738,751

Notes:

- (a) The share placement of 1,190,476,000 shares was completed on 10 January 2018 when the new shares were issued at a price of HK\$0.63 per share for a total cash consideration of HK\$750,000,000.
- (b) (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 (note 27(a)).

During the six months ended 30 June 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:

- (ii) 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.
- (iii) 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.
- (iv) 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.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

24 CAPITAL COMMITMENTS

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

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Contracted but not provided for:		
— Investment properties	1,301,966	1,323,763
— Investment in an associate	240,000	240,000
— Property development expenditures	8,053,891	277,094
	9,595,857	1,840,857

25 FINANCIAL GUARANTEES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Financial guarantee contracts (Note (a))	33,836	—
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (b))	1,092,232	1,099,508
	1,126,068	1,099,508



Notes to the Interim Financial Information

For the six months ended 30 June 2019

25 FINANCIAL GUARANTEES *(Continued)*

Notes:

- (a) At 30 June 2019, the Group has recognised certain guarantees of HK\$33,836,000 (31 December 2018: Nil) issued to certain banks in respect of banking facilities granted to an associated party of a former equity holder of a subsidiary. Under the guarantees, the Group and the associated party are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due.

At 30 June 2019, the maximum liability of the Group under guarantee contracts, which is the amount of bank loans drawn under the guarantee contracts, was amounted to HK\$340,500,000 (31 December 2018: Nil).

Financial guarantees to an associated party of a former equity holder of a subsidiary was secured by properties under development with carrying amounts of approximately HK\$411,870,000 (31 December 2018: Nil).

- (b) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

26 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.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

26 RELATED PARTY TRANSACTIONS (Continued)

In addition to those disclosed elsewhere in these interim financial information. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Directors' fees	2,595	1,476
Basic salaries, housing allowances, other allowances and benefits in kind	4,237	1,686
Contributions to pension plans	138	26
	6,970	3,188

(b) Loans from related parties

Name of related party	Relationship	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
深圳前海廣榮投資有限公司	Controlled by controlling shareholder	–	288,788
創邦集團有限公司	Controlled by controlling shareholder	138,007	190,597
深圳市粵商小額貸款有限公司	Controlled by controlling shareholder	39,725	–
		177,732	479,385



Notes to the Interim Financial Information

For the six months ended 30 June 2019

26 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Interest on loans from related parties

Name of related party	Relationship	As at	As at
		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
深圳前海廣榮投資有限公司	Controlled by controlling shareholder	66	3,596
創邦集團有限公司	Controlled by controlling shareholder	8,409	–
深圳市粵商小額貸款 有限公司	Controlled by controlling shareholder	3,245	–
		11,720	3,596

27 BUSINESS COMBINATION

(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 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.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION *(Continued)*

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

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 Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION (Continued)

(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 fair value through other comprehensive income	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)
Total identifiable net assets at fair value	3,851,512
Treasury shares (Note (a))	70,187
	3,921,699
Non-controlling interests	(2,177,166)
	1,744,533
Gain on bargain purchase	664,927
Satisfied by:	
Consideration shares (Note (b))	475,179
Fair value of pre-existing interest at the Completion Date	604,427
	1,079,606



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION (Continued)

(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 expenses in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019.

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



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION (Continued)

(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

The consideration HK\$60,000,000 has not been paid as at 30 June 2019 and was included in consideration payable under current liabilities 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.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION *(Continued)*

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

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.

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited (“Taifeng”)

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

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

A gain on bargain purchase (negative goodwill) of approximately HK\$44,042,000 was recorded in condensed consolidated statement of comprehensive income for the six months ended 30 June 2018, as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of identifiable assets acquired and liabilities assumed to their fair values with reference to the property valuation report carried out by D&P China (HK) Limited, a division of Duff & Phelps, an independent valuer.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION (Continued)

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited (“Taifeng”) (Continued)

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

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



Notes to the Interim Financial Information

For the six months ended 30 June 2019

27 BUSINESS COMBINATION *(Continued)*

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited (“Taifeng”) *(Continued)*

Acquisition-related costs of Taifeng of HK\$1,436,000 have been changed to administrative expenses in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018.

The revenue in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 contributed by Taifeng was approximately HK\$97,546,000.

Had Taifeng been consolidated from 1 January 2018, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 would show pro-forma revenue of HK\$914,195,000 and profits for the period of HK\$261,262,000.

28 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. As at 30 June 2019, cash consideration of HK\$53,193,000 has not been settled.
- (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 (note 23(b)(ii) to (iv)) 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 Financial Information

For the six months ended 30 June 2019

28 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. As at 30 June 2019, cash consideration of RMB1,235,500,000 has not been settled.
- (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 31 December 2018 and 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 29 June 2018, the Group disposed of 28% of the issued shares of Golden Affluent Limited, an indirectly wholly-owned subsidiary of the Group which held 80% equity interests of certain subsidiaries conducting financial services business (collectively, "Golden Affluent Group"), for a consideration of HK\$168,200,000. Immediately prior to the disposal, the carrying amount of the existing non-controlling interest in Golden Affluent Group was HK\$19,088,000. The Group recognised an increase in non-controlling interests of HK\$129,449,000 and an increase in equity attributable to owners of the Company of HK\$38,751,000.



Notes to the Interim Financial Information

For the six months ended 30 June 2019

29 DISPOSAL OF A SUBSIDIARY

On 29 June 2019, the Group disposed of its entire equity interest in 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
Bank and cash balances	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 Financial Information

For the six months ended 30 June 2019

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

30.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as below:

- 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 2019 and 31 December 2018:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2019 (Unaudited)				
Assets				
Financial assets at FVTPL	332,101	13,181	—	345,282
Financial assets at FVOCI	746,508	—	104,848	851,356
Derivative financial assets				
— put option	—	—	6,830	6,830
	1,078,609	13,181	111,678	1,203,468
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2018 (Audited)				
Assets				
Financial assets at FVTPL	838,096	144,493	—	982,589
Financial assets at FVOCI	799,009	—	104,848	903,857
	1,637,105	144,493	104,848	1,886,446
Liabilities				
Put option liability in relation to acquisition of subsidiaries	—	—	247,146	247,146



Notes to the Interim Financial Information

For the six months ended 30 June 2019

30 FINANCIAL RISK MANAGEMENT AND 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)

Description	Fair value		Valuation technique(s)	Unobservable Inputs		Range (weighted average)		Relationship of unobservable inputs to fair value
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)		30 June 2019	31 December 2018	30 June 2019	31 December 2018	
Equity security	51,194	51,194	Market comparable approach using equity allocation method	Volatility	Volatility	50%	50%	The higher the volatility, the higher the fair value
Equity security	47,671	47,671	Market comparable approach using equity allocation method	Volatility	Volatility	50%	50%	The higher the volatility, the higher the fair value
Equity security	5,983	5,983	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
Put option	6,830	-	Income approach	Glory Sun Land's share price	-	HK\$0.01	-	- The higher the share price, the higher the fair value
				Profit forecast	-	10%	-	- The higher the profit forecast, the higher the fair value



Notes to the Interim Financial Information

For the six months ended 30 June 2019

30 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

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 value of financial assets/(liabilities) measured at amortised cost

The fair value of financial assets/(liabilities) measured at amortised cost approximate their carrying amounts.

31 EVENTS AFTER THE REPORTING DATE

On 10 July 2019, the Group entered into the subscription agreement with Bao Xin Development Limited (the "Subscriber") pursuant to which the Subscriber agreed to subscribe 4,000,000,000 new shares at HK\$0.25 per share. The Subscriber is a company wholly-owned by an executive director and the controlling shareholder of the Company and is defined as connected person under the Rules Governing the Listing of Securities on the Stock Exchange. The subscription shares represent approximately 14.61% of the existing issued share capital of the Company. The subscription constitutes a connected transaction for the Company and is subject to the approval by the independent shareholders at the extraordinary general meeting of the Company to be convened to approve the subscription. Details of the subscription have been set out in the Company's announcements made on 10 July 2019.



Management Discussion and Analysis

OVERVIEW

In the first half of 2019, the lingering of the trade disputes among various major economies such as the Sino-US trade war caused the slow growth of Chinese and global economy. Facing such a challenging business environment, Glory Sun Financial Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has been adhering to its comprehensive development strategy and striving to mitigate the impact from the volatility in the economy and financial markets on its business.

In April 2019, the Group completed the acquisition of 1,508,505,611 shares in Glory Sun Land Group Limited (stock code: 00299) (“**GS Land**”, together with its subsidiaries as “**GS Land Group**”) from three then shareholders of GS Land. These shares represented approximately 37.16% of the then issued share capital of GS Land. Upon completion of the acquisition, GS Land became a non wholly-owned subsidiary of the Company and an unconditional mandatory general offer (“**Offer**”) was made by the Group on 3 May 2019 in compliance with the Hong Kong Code on Takeovers and Mergers. An aggregate of 450,888,302 shares in GS Land was acquired under the Offer. Upon the close of the Offer, the Group was interested in an aggregate of 3,144,544,700 shares in GS Land, representing approximately 75.39% of the then issued share capital of GS Land. Due to the completion of issuance and allotment of new shares by Glory Sun Land on 24 June 2019, the shareholding of the Group in Glory Sun Land was reduced to approximately 69.11% as at the date of this announcement.

As at 30 June 2019, the Group’s revenue increased by 120.2% to approximately HK\$2,012.6 million and the profit attributable to owners of the Company increased by 53.2% to approximately HK\$373.3 million due to the bargain purchase arising from the acquisition of shares in GS Land during the review period.

Starting from 2 May 2019, the English name of the Company has been changed from “China Goldjoy Group Limited” to “Glory Sun Financial Group Limited” and the dual foreign name has been changed from “中國金洋集團有限公司” to “寶新金融集團有限公司”. The new company name can better reflect the Company’s new corporate identity and its determination to develop its financial services business in the second half of 2019. Meanwhile, the Company will consistently allocate resources to ensure the development of its business in property investment and development segment, automation segment, manufacturing segment and securities investment.

BUSINESS REVIEW

Financial Services

The financial services segment of the Company conducts business ranging from securities and futures trading, investment banking, asset management, credit finance, wealth management and precious metal trading. It also possesses a Qualified Foreign Limited Partner (QFLP) licence which allows it to manage private equity investment funds in the PRC. Following the expansion of its scope of services to cover the provision of services to non-professional investors, advising clients on matters/transactions falling within the ambit of the Codes on Takeovers and Mergers and Share Buy-backs and acting as a sponsor in initial public offerings, the financial services segment has established a comprehensive financial services platform.



Management Discussion and Analysis

During the review period, the segmental revenue amounted to approximately HK\$97.8 million (30 June 2018: approximately HK\$93.6 million), representing an increase of approximately 4.5%, making up around 4.9% of the Group's total revenue (30 June 2018: approximately 10.3%). The segment recorded an operating profit of approximately HK\$54.8 million (30 June 2018: approximately HK\$38.6 million), representing an increase of approximately 42.0% from the corresponding period last year. The increase in revenue was mainly contributed by the revenue generated from corporate finance business under which the sponsor licence was granted by the SFC during the review period.

During the review period, Glory Sun Securities Limited ("**GSSL**") managed to utilise its "algorithmic trading" automatic monitor and control system to consistently increase its clients' transaction amount. It is expected that such system will increase the revenue generated from the brokerage business. Regarding the corporate finance business, GSSL completed a number of stock and bond underwriting and issuance and compliance consultant projects. These projects contributed a significant revenue to GSSL business and therefore lay a sound foundation for business expansion in the future.

During the review period, Glory Sun Asset Management Limited ("**GSAM**") strengthened the communication with its clients and optimised its processing services and after-sale services, leading to a notable increase in its assets under management (AUM) and revenue. As at 30 June 2019, its AUM reached approximately HK\$1,280.0 million. In June 2019, GSAM won an "Outstanding Assets Management Company" at the 19th Capital Outstanding Enterprise Awards organised by Capital Magazine.

During the reporting period, Glory Sun Wealth Management Limited ("**GSWM**") succeeded to improve its operational efficiency by way of the integration of its resources and costs control. GSWM has plans to expanded its business by setting up a frontline team targeting potential clients of different sectors. Apart from its principle business, GSWM has been cooperating with other business segments within the Group to create synergies.

Glory Sun Credit Limited ("**GSCL**") has been consistently optimising its credit finance portfolio and mitigated the operating costs in line with its prudent risk management policy. These measures led to an increase in its loan portfolio.

Property Investment and Development

During the review period, the revenue derived from the property investment and development segment amounted to approximately HK\$666.0 million (30 June 2018: approximately HK\$354.9 million), representing an increase by approximately 87.7%, and accounting for approximately 33.1% of the Group's total revenue (30 June 2018: approximately 38.8%). The operating profit generated from this segment amounted to approximately HK\$265.9 million (30 June 2018: approximately HK\$194.2 million), representing an increase of approximately 36.9%.



Management Discussion and Analysis

The Group holds a property project, namely Bangkai Technology Industrial Park (the “**Park**”) in Shenzhen. The construction of the Park is divided into three phases. The construction of the first phase, comprising office premises, factories, apartments, dormitories and shops, and the second phase, comprising offices, workshops and hotel, were completed in about 2014 and 2018 respectively. The construction of the third phase, comprising offices and workshops, is expected to be completed by the end of 2022. During the review period, the Group has accelerated the solicitation of tenants for the first two phases. As at 30 June 2019, the respective occupancy rate of the first and second phases were approximately 82.9% and 44.6%.

The Group holds two property projects, namely 贛州寶能城 (Ganzhou Baoneng Plaza*) and 贛州寶能太古城 (Ganzhou Baoneng Taigu Plaza*) in Ganzhou City, Jiangxi Province, the PRC. While the former comprises retail shops, commercial, car parks, shopping mall and hotel (the construction of which is expected to be completed in December 2020), the latter comprises a shopping mall (alternation and addition work of which is expected to be completed in October 2019) and hotel (alternation and addition work of which is expected to be completed in November 2019).

GS Land Group has established its business presence in Shenzhen, Changchun, Changsha, Weinan, Shantou, Yunfu and other key cities in the PRC, covering multi-service segmentation products including commercial office buildings, commerce, multi-storey, and high-rise residential buildings, hotels, business apartments, villas and garden houses.

In May 2019, GS Land Group agreed to acquire the entire equity interest in Karsen International Limited, thereby obtaining a commercial land of approximately 38,000 square meters located at No. 34, Shenxin East Road, Tiexi District, Shenyang. The building under the project comprises six floors with floors one to three designated for commercial purposes and floors four to six partially designated for hotel and office purposes and 159 parking spaces.

In the first half of 2019, the pre-sale of projects invested and developed by GS Land Group were successively opened to the public, one of which was entitled as 時代灣 (Times Bay*) located in Shantou (a technology, creativity and leisure center in the global context aimed at creating a vibrant modern metropolitan office park with a supporting apartment area for high-end talents).



Management Discussion and Analysis

Automation

Gallant Tech Limited (“**Gallant Tech**”), as the operating subsidiary of the Company in the automation segment, is one of the leading distributors and service providers of Surface Mount Technology (SMT) equipment in the PRC. During the review period, the US prohibited its enterprises from selling and supplying products and technologies for 5G phones production to the second-largest smartphone maker (the “**Giant**”) in the world. To fill the gap in production capacity, the Giant expanded its own production capacity while increasing orders from domestic electronics manufacturing plants. Meanwhile, its competitors also grab the opportunity to expand production capacity to expand their market share in mobile phone industry. These factors have created short-term favourable conditions for Gallant Tech to boost the sale of SMT equipment in the PRC. Accordingly, the sales revenue of the Group's automation segment increased by approximately 26.1% to approximately HK\$336.6 million (30 June 2018: approximately HK\$266.9 million), accounting for approximately 16.7% of the Group's total revenue (30 June 2018: approximately 29.2%). Meanwhile, the finance leasing business recorded a revenue of approximately HK\$9.9 million, relatively stable as compared with HK\$9.8 million for the corresponding period last year. The operating profit increased by approximately 9.2% to approximately HK\$24.8 million (30 June 2018: approximately HK\$22.7 million).

Manufacturing

The manufacturing segment is principally engaged in the new energy sector and light emitting diode (LED). During the review period, the manufacturing business has continued to bolster its position in the PRC market by the infrastructure enhancement in the PRC such as infrastructure lighting. At the same time, it has sought to establish beachheads overseas. Accordingly, it recorded a revenue of approximately HK\$13.7 million (30 June 2018: approximately HK\$39.5 million), accounting for approximately 0.7% (30 June 2018: 4.3%) of the Group's total revenue. The decline in revenue was due primarily to the intense competition in LED market, leading to the operating loss of approximately HK\$28.8 million (30 June 2018: approximately HK\$10.6 million).

Securities Investment

During the review period, the Group continued to execute an investment strategy comprising both short-and-long-term strategies to maintain a balanced investment portfolio which enables the enhancement of its financial flexibility and facilitate capital growth. The Group has been investing in a diversified portfolio including listed and unlisted equity securities and investment funds. Affected by the weakening in the stock market in the first half, the securities investment business has generated a loss of approximately HK\$178.0 million (30 June 2018: revenue of approximately HK\$159.1 million). The operating loss of the segment amounted to approximately HK\$207.2 million (30 June 2018: operating profit approximately HK\$133.5 million).



Management Discussion and Analysis

As at 30 June 2019, the securities investment portfolio, excluding the interests in associates, of approximately HK\$1,196.6 million (31 December 2018: approximately HK\$1,886.4 million) comprised financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$345.3 million (31 December 2018: approximately HK\$982.6 million) and financial assets at fair value through other comprehensive income ("FVOCI") of approximately HK\$851.3 million (31 December 2018: approximately HK\$903.8 million). The directors of the Company consider that a securities investment with a market value that accounts for more than 5% of the Group's net assets at the reporting date shall be regarded as a significant investment. Further details of securities investments under different categories are as follows:

Nature of investments	Principal businesses	As at 30 June 2019		Fair value amount HK\$'000	As at	For the
		Percentage to shareholding in such stock %	Percentage to total assets of the Group %		31 December 2018	period ended 30 June 2019
Financial assets at fair value through profit or loss						
A. Listed Securities						
Madison Holdings Group Ltd. ("Madison")	Sales of alcoholic beverages	3.7%	0.4%	101,026	200,108	(99,082)
Pujiang International Group Limited ("Pujiang")	Manufacture, installation and sales of customised prestressed steel materials and cables	3.6%	0.4%	101,640	–	23,140
Zhenro Properties Group Limited	Property development and management	–	–	–	527,841	–
Others		N/A	0.4%	113,721	99,450	(5,721)
B. Funds		N/A	0.1%	28,895	155,190	(10,107)
Total				345,282	982,589	



Management Discussion and Analysis

Nature of investments	Principal businesses	As at 30 June 2019		Fair value amount HK\$'000	As at	For the
		Percentage to shareholding in such stock %	Percentage to total assets of the Group %		31 December 2018	period ended 30 June 2019
Financial assets at fair value through other comprehensive income						
A. Listed Securities						
Shenzhen Sunrise New Energy Co., Ltd. (" Shenzhen Sunrise ")	Manufacture of chemical products	5.0%	1.1%	309,220	316,890	(6,557)
Landing International Development Ltd. (" Landing ")	Development and operation of the integrated resorts	4.7%	0.5%	149,346	340,177	(190,831)
Shenzhen Kondarl Group Co., Ltd. (" Shenzhen Kondarl ")	Farming, feed, and agricultural products businesses	1.2%	0.4%	107,024	98,665	8,935
Bank of Zhengzhou Co., Ltd. — H shares	Provision of banking products and services	2.1%	0.3%	95,224	—	(12,504)
Others	N/A	N/A	0.3%	85,694	43,277	(18,012)
B. Unlisted Securities						
	N/A	N/A	0.4%	104,848	104,848	—
Total				851,356	903,857	



Management Discussion and Analysis

Financial Assets at Fair Value through Profit or Loss

Madison

As at 30 June 2019, the fair value of the Group's equity securities in Madison amounted to approximately HK\$101.0 million. The shares of Madison are listed on GEM of the Hong Kong Stock Exchange. Given the volatility in the stock market, the share price performance of Madison was not satisfactory and resulted in unrealised fair value loss of approximately HK\$99.1 million recognised for the period.

Pujiang

The Group acquired shares in Pujiang through initial public offering during the review period. As at 30 June 2019, the fair value of the Group's equity securities in Pujiang amounted to approximately HK\$101.6 million. Given the volatility in the stock market, the share price performance of Pujiang was satisfactory and resulted in unrealised fair value gain of approximately HK\$23.1 million recognised for the period.

Financial Assets at Fair Value through Other Comprehensive Income

In addition to the above investments under FVTPL, the Group also invests in listed and unlisted equity securities which are held for long-term strategic purposes. As at 30 June 2019, the fair value of such investments was approximately HK\$851.3 million. During the period, unrealised fair value loss of approximately HK\$219.0 million was recognised in other comprehensive income from these investments.

Shenzhen Sunrise

As at 30 June 2019, the fair value of equity shares in Shenzhen Sunrise amounted to approximately HK\$309.2 million. Given the volatility in the stock markets, the price performance of Shenzhen Sunrise was not satisfactory, resulting in a fair value loss of approximately HK\$6.6 million recognised in other comprehensive income for the period.

Landing

As at 30 June 2019, the fair value of the Group's equity securities in Landing amounted to approximately HK\$149.3 million. Given the volatility in the stock markets, resulting in a fair value loss of approximately HK\$190.8 million for the period.

Shenzhen Kondarl

As at 30 June 2019, the fair value of equity shares in Shenzhen Kondarl amounted to approximately HK\$107.0 million. Given the volatility in the stock markets, the price performance of Shenzhen Kondarl was satisfactory, resulting in a fair value gain of approximately HK\$8.9 million recognised in other comprehensive income for the period.



Management Discussion and Analysis

Other investment

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

Trading of commodities

The Group completed the acquisition of Glory Sun Land on 23 April 2019 and Glory Sun Land became a non-wholly owned subsidiary of the Group from completion of the acquisition. As the trading in commodities is one of the major business segments of Glory Sun Land, the trading in commodities also became a principal business segment of the Group from completion.

FINANCIAL REVIEW

CONTINUING OPERATIONS

Revenue

The Group's revenue for the period ended 30 June 2019 increased by 120.2% to approximately HK\$2,012.6 million (30 June 2018: approximately HK\$914.0 million). The revenue analysis by segment is presented as follows:

	2019		2018		% change
	HK\$' million	Proportion to total revenue	HK\$' million	Proportion to total revenue	
Automation	336.6	16.7%	266.9	29.2%	+26.1%
Financial Services	97.8	4.9%	93.6	10.3%	+4.5%
Manufacturing	13.7	0.7%	39.5	4.3%	-65.3%
Property Investment and Development	666.0	33.1%	354.9	38.8%	+87.7%
Securities Investment	(178.0)	(8.8)%	159.1	17.4%	-211.9%
Trading of Commodities	1,057.7	52.5%	–	0%	N/A
Others	18.8	0.9%	–	0%	N/A
	2,012.6	100%	914.0	100%	+120.2%

During the period, the trading of commodities and property investment and development segments were the major source of revenue for the Group, accounting for 52.5% and 33.1% of total revenue, respectively.



Management Discussion and Analysis

Gross Profit and Margin

The gross profit decreased by 83.1% to approximately HK\$54.4 million (30 June 2018: approximately HK\$322.4 million), while the gross profit margin decreased to 2.5% (30 June 2018: 35.3%). The change was mainly due to the low gross profit margin of commodities trading and marginal gross profit from sales of property primarily from GS Land Group.

Other Gains/(Losses) — Net

The net other gains for the period was approximately HK\$27.4 million (30 June 2018: net other losses of approximately HK\$5.0 million). This was primarily because of the gain from derecognition of financial guarantee of approximately HK\$27.3 million, fair value gain on derivative financial assets of approximately HK\$2.0 million and loss on disposal of property, plant and equipment of approximately HK\$1.5 million.

Other Income

The other income increased by 9.1% to approximately HK\$24.0 million (30 June 2018: approximately HK\$22.0 million), mainly because of an increase in government subsidy during the period.

Distribution Costs

The distribution costs increased by 74.1% to approximately HK\$23.5 million (30 June 2018: approximately HK\$13.5 million), accounting for 1.2% (30 June 2018: 1.5%) of the total revenue. The increase was mainly due to the increase in advertising, promotion and exhibition expenses of approximately HK\$2.3 million and increase in the sales person staff cost of approximately HK\$7.0 million.

Administrative Expenses

The administrative expenses increased by 40.3% to approximately HK\$205.1 million (30 June 2018: approximately HK\$146.2 million) owing to an increase in staff salaries and directors' emoluments by approximately HK\$2.5 million due to the expanded company operations; a decrease in commission of approximately HK\$10.7 million due to decrease in volume of securities trading; an increase in research and development expense to approximately HK\$2.6 million; an increase in fund management fee of approximately HK\$2.3 million, increase in exchange loss of approximately HK\$34.2 million, increase in consultancy fee of approximately HK\$12.9 million and reversal of provision for impairment of approximately HK\$12.2 million.



Management Discussion and Analysis

Finance Costs — Net

The net finance costs was approximately HK\$49.4 million (30 June 2018: net finance costs of approximately HK\$14.2 million). The increase in net finance costs was because of an increase in capital financing expenditure in relation to the increase in the general level of borrowing.

Income Tax Expense

The income tax expense recorded an increase of 34.2% to approximately HK\$101.6 million (30 June 2018: approximately HK\$75.7 million) due to the decrease in taxable income, netting off the increase in deferred tax expenses derived from the revaluation of properties substantially increasing.

Discontinued operation

During the review period, the Group disposed of its online game service business in the PRC and recognised profit from discontinued operation of approximately HK\$59.4 million (30 June 2018: nil).

Profit Attributable to Owners of the Group

The profit attributable to owners of the Group increased by 53.2% to approximately HK\$373.3 million, (30 June 2018: approximately HK\$243.7 million), which mainly included the one-off bargain purchase of approximately HK\$664.9 million arising from the acquisition of GS Land shares during the period ended 30 June 2019 (30 June 2018: approximately HK\$44.0 million arising from acquisition of Laihua Taifeng shares).

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 2019, the Group's cash and cash equivalents totaled approximately HK\$2,345.8 million (31 December 2018: approximately HK\$907.1 million). Working capital represented by net current assets amounted to approximately HK\$5,230.8 million (31 December 2018: approximately HK\$1,456.4 million). Current ratio was approximately 1.4 (31 December 2018: approximately 1.4).

The borrowings of the Group as at 30 June 2019 included corporate bonds of approximately HK\$1,366.5 million (31 December 2018: approximately HK\$177.6 million), trust receipt loans of approximately HK\$36.0 million (31 December 2018: approximately HK\$30.1 million) and bank loans of approximately HK\$4,960.0 million (31 December 2018: approximately HK\$697.6 million) and other loan of approximately HK\$4,931.7 million (31 December 2018: approximately HK\$988.8 million).

As at 30 June 2019, the Group was in a net debt position of approximately HK\$7,545.9 million (31 December 2018: net debt position of approximately HK\$779.2 million).



Management Discussion and Analysis

Capital Commitments

As at 30 June 2019, the Group had contracted but not provided for capital commitments of approximately HK\$240.0 million, HK\$1,302.0 million and HK\$8,053.9 million (31 December 2018: HK\$240.0 million, HK\$1,323.8 million and HK\$277.1 million) related to the investment in an associate; investment properties; and property development expenditures, respectively.

Charge of Assets

The bank 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) buildings with carrying amounts of approximately HK\$252.7 million (31 December 2018: approximately HK\$255.9 million), 2 properties located in PRC owned by an independent third party, properties for sale under development and investment properties with carrying amounts of approximately HK\$3,389.0 million and HK\$2,945.9 million (31 December 2018: nil and approximately HK\$1,264.9 million), respectively and (v) deposits of HK\$6.0 million (31 December 2018: HK\$6.0 million). Besides the Group has utilised approximately HK\$215.6 million (31 December 2018: nil) of notes payable which is secured by a charge over the pledged bank deposited amounted to HK\$250.0 million (31 December 2018: nil). Properties for sale under development with carrying amount of approximately HK\$411.9 million was pledged for the provision of financial guarantees to an associated party of a former equity holder of a subsidiary.

Currency Exposure and Management

During the review 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 manufacturing, automation and property investment and development segments were mainly conducted in Mainland China, most of the Group's property development costs, labour costs and manufacturing overhead 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 review period, the Group did not enter into any foreign exchange forward contract.



Management Discussion and Analysis

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 2019, the Group had 1,099 full-time employees mainly in Hong Kong and Mainland China (31 December 2018: 752 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 24 November 2010.

EVENTS AFTER THE REPORTING PERIOD

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, the Chairman and Chief Executive Officer of the Company, pursuant to which the Subscriber agreed to subscribe 4,000,000,000 new shares of the Company at a subscription price of HK\$0.25 per share of the Company. The subscription shares represent approximately 14.61% of the existing issued share capital of the Company and approximately 12.74% of the issued share capital of the Company as enlarged by the subscription.

The Subscription represents a valuable opportunity for the Company to raise funds to further strengthen its capital base and financial position, thereby laying a more solid foundation to further its business development and accelerate its growth in the financial market.

The net proceeds from the subscription is expected to be approximately HK\$999,400,000 with approximately 70% to be used for the development of its financial services business, and approximately 30% for general working capital of the Company. The subscription is subject to the approval by the Independent Shareholders.



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 managing operational risks in the Group rests with every function at both divisional and departmental levels.

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

Industry Risk

The financial services business of the Group is subject to extensive regulatory requirements. Among others, operating subsidiaries such as Glory Sun Securities and Glory Sun Asset Management are obliged to operate in accordance with the requirements of 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 property 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.



Management Discussion and Analysis

The automation and manufacturing businesses of the Group operate in a highly competitive environment. The Group faces fierce competition from global technology companies and rapid technological change which may render technologies that it has developed and deployed obsolete. As such, the Group's products may lose its competitiveness, adversely affecting its ability to maintain its market share. Failure to maintain the Group's competitive position may lead to a materially adverse effect on the results and profit margins of these business segments. Furthermore, the current trade war between the PRC and the US may have an impact on the business environment in the PRC. The Group is prepared to pay close attention to market conditions and will formulate a contingency plan if the trade war persists over a period of time.

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

Financial Risk

In the course of its business activities, the Group is exposed to various financial risks, including market, liquidity and credit risks. The changes in the currency environment, 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.



Management Discussion and Analysis

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.

BUSINESS OUTLOOK

The Company anticipates that the global economy and the economic growth of the PRC in the second half of 2019 will continue to be influenced by the volatile market and the uncertainties brought by the escalation of the China-US trade disputes.

During the meeting of The Political Bureau of the Communist Party of China Central Committee in July 2019, it was suggested that a proactive fiscal policy and prudent monetary policy would be adopted by the PRC Government to maintain stable growth and it would not use the property market to stimulate the economy just because its economy is slowing down. Given that there is still a high demand in the PRC property market, the Company has scheduled to conduct a large scale of sale of its developed properties in the PRC in the second half this year. The Company will adjust its marketing strategy in accordance with the policies and market conditions to minimize the impact.

Meanwhile, the Company expects that there will be an increase in the rental income generated from its property leasing business following the completion of the construction work in the Bangkai City, Ganzhou Baoneng Plaza and Ganzhou Baoneng Taigu Plaza.

In addition to the strengthen of the management of the existing real estate projects, the Company will consistently pay particular attention to the opportunities presented in the Greater Bay Area and replenish its land bank through acquisitions and joint ventures.



Management Discussion and Analysis

For the financial services segment, in light of the Sino-US trade war, recent unrest in Hong Kong society and uncertainties associated with the overall attitude of the investors toward the Hong Kong and the PRC financial markets, the Group plans to develop its investment banking business by shifting its focus to corporate finance after obtaining the approval from the Securities and Futures Commission to provide a full range of corporate finance services under the Securities and Futures Ordinance, while sustaining its existing businesses. Besides, the Group will vigorously develop its asset management business by working together with reputable financial institutions in Hong Kong to set up new funds for potential investment opportunities.

As a consequence of the sales ban imposed by the US Government on the second-largest smartphone maker (the "**Giant**") in the world, it is expected that the demands from the Giant for critical products including chip makers and phone operating system from domestic suppliers in the PRC will increase. Gallant Tech Limited ("**Gallant Tech**"), as one of the leading distributors of SMT equipment in the PRC, is expected to record an increase in the sales volume of SMT equipment from these suppliers who are eager to meet the demands from the Giant. Simultaneously, following the large-scale commercial application of the 5G technology leading to the necessity for the network providers in the PRC to upgrade their mobile communication products and related manufacturing equipment and the rise in the demand for automotive electronics, semiconductors and artificial intelligence manufacturing by SMT equipment, Gallant Tech is expected to benefit from the rapid development opportunity emerged in the 5G era.

Looking ahead, the Group will endeavour to live up to the expectation of its shareholders. No matter what challenges lie ahead, the Group will remain adamant to adopt a prudent and pragmatic strategy, actively seize opportunities, develop in a steady manner and minimize the impact brought by the current market environment.



Corporate Governance and Other Information

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018 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 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2019, 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")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise 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:

Long positions in shares and underlying shares of the Company

Name of director	Capacity and nature of interests	Number of shares held	Approximate percentage of shareholding ^(Note 2)
Mr. Yao Jianhui ^(Note 1)	Interest in controlled corporation	11,062,227,600	40.39
	Beneficial owner	44,468,000	0.1690

Notes:

(1) Mr. Yao Jianhui holds 100% of Tinmark Development Limited, which is the beneficial owner of 10,771,835,600 shares in the Company. Mr. Yao also directly holds 44,468,000 shares in the Company.

(2) Based on a total of 27,387,512,211 issued shares of the Company as at 30 June 2019.

Save as disclosed above, as of 30 June 2019, 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) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise 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 2019 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 2019.

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

As of 30 June 2019, the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding ^(Note 3)
Tinmark Development Limited	Beneficial owner	10,794,943,600	39.42
Tinmark Development Limited	Interest of controlled corporation	222,816,000	0.81
前海人壽保險股份有限公司	Beneficial owner	4,219,560,000	15.41
Taiping Assets Management (HK) Company Limited ^(Note 1)	Investment Manager	4,219,560,000	15.41
China Huarong Asset Management Co., Ltd. ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Huarong Real Estate Co., Ltd. (華融置業有限責任公司) ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
China Huarong International Holdings Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Right Select International Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19



Corporate Governance and Other Information

Name of substantial shareholders	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding ^(Note 3)
Huarong Investment Stock Corporation Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Diamond Path Investments Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Diamond Path International Investments Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Sveta Limited ^(Note 2)	Security interest in the shares in controlled corporation	1,970,000,000	7.19
Chelsea Manifest Fund ^(Note 2)	Person having a security interest	1,970,000,000	7.19

Notes:

- (1) 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.
- (2) Chelsea Manifest Fund has a security interest in 1,970,000,000 shares. Chelsea Manifest Fund is wholly-owned by Sveta Limited, which is in turn wholly-owned by Diamond Path International Investments Limited, which is in turn wholly-owned by Diamond Path Investments Limited, which is in turn wholly-owned by Huarong Investment Stock Corporation Limited, which is in turn owned as to 50.99% by Right Select International Limited. Right Select International Limited is wholly-owned by China Huarong International Holdings Limited, which is in turn owned as to 88.10% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. Both Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are wholly-owned by China Huarong Asset Management Co., Ltd.
- (3) Based on a total of 27,387,512,211 issued shares of the Company as at 30 June 2019.



Corporate Governance and Other Information

Save as disclosed above, as of 30 June 2018, 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.

Treasury Shares

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution in writing passed by the shareholders of the Company on 24 November 2010, for the purpose of providing incentive or reward to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company and to enable the Group to recruit and retain employees of high calibre. The Scheme became effective on 24 November 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Eligible participants of the Scheme include the following:

- (i) Full-time or part-time employees; and
- (ii) Full-time or part-time executive directors and independent non-executive directors of any member of the Group.

With the approval of the shareholders at the Annual General Meeting held at 12 May 2017 and other requirements prescribed under the Listing Rules were met, the Scheme Mandate Limit was refreshed.

Share options previously granted under the Share Option Scheme and/or any other share option scheme(s) of the Company, including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or such other schemes of the Company will not be counted for the purpose of the refreshment.

As of the date of this report, the total number of shares of the Company available for issue under the refreshed Scheme is 2,214,859,810, representing approximately 8.09% of the issued share capital of the Company as of the date of this report, i.e. 27,387,512,211 shares.



Corporate Governance and Other Information

The total number of shares issued and which may fall to be issued upon exercise of the options granted and to be granted under the Scheme (including exercised, cancelled and outstanding options) to each eligible person, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting with such eligible persons and his associates abstaining from voting and other requirements prescribed under the Listing Rules from time to time.

Any grant of options to a Director, chief executive or to a substantial shareholder of the Company or any of their respective associates is required to be approved by the Independent Non-Executive Directors (excluding the Independent Non-Executive Director who is the grantee of the options). Where any grant of options to a substantial shareholder or an Independent Non-Executive Director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1% of the shares in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of the Company's shares at the date of such grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour at such meeting and other requirements prescribed under the Listing Rules from time to time.

The offer of a grant of share options may be accepted by the date specified in the offer letter, upon payment of a nominal consideration of HK\$1 by the grantee.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option.

Upon acceptance, the date of grant of any particular option is deemed to be the date of the Board resolution approving the grant in accordance with the Scheme. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Scheme. Subject to earlier termination in accordance with the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Scheme by the shareholders.

No share options of the Company were granted, exercised, cancelled or lapsed during the period.



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 2018 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Independent Non-executive Director Professor Lee Kwok On	Appointed as a board member to Hong Kong Deposit Protection Board with effect from 1 July 2019

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 has been maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that there is no separation of the roles of chairman and CEO, as stipulated in the code provision A.2.1 of the CG Code. Mr. Yao Jianhui ("Mr. Yao") currently assumes the roles of both the chairman and the CEO of the Company. Mr. Yao has extensive experience in a wide range of industries, including food, construction materials, real estate, commerce, agricultural and forestry, logistics, technology and finance. The Board believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group.

As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of independent non-executive directors, and thus the Board believes that a balance of power and authority have been and will continue to be maintained.



Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“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 of the Company. All directors of the Company have confirmed that throughout the six months ended 30 June 2019, they have complied with the provisions of the Model Code.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee was established on 28 November 2009 with written terms of reference set out in the CG Code. The principal duties of the Audit Committee includes the review and supervision of the Group’s financial reporting matters, risk management and internal control procedures.

At present, 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, of which Mr. Wong Chun Bong is the chairman.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the financial information of the Group for the six months ended 30 June 2019. The consolidated financial information for the six months ended 30 June 2019 have been reviewed by the Company’s independent auditor, BDO Limited 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, 29 August 2019



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

