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GLORIOUS SUN ENTERPRISES LIMITED

旭日企業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 393)

Interim Results Announcement

For the six months ended 30 June 2021

INTERIM RESULTS

The board of directors (the “Board”) of Glorious Sun Enterprises Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the same period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2021

	<i>Notes</i>	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE			
Revenue from contracts with customers		394,159	420,382
Revenue from other sources		27,750	37,403
		421,909	457,785
Cost of sales	(3)	(344,291)	(383,494)
Gross profit		77,618	74,291
Other income and gains		27,108	21,948
Selling and distribution expenses		(13,547)	(10,109)
Administrative expenses		(38,251)	(31,524)
Other expenses		(8,539)	(11,209)
Finance costs		(1,399)	(1,415)
PROFIT BEFORE TAX	(4)	42,990	41,982
Income tax expense	(5)	(4,216)	(4,471)
PROFIT FOR THE PERIOD		38,774	37,511

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(CONTINUED)

Six months ended 30 June 2021

		2021	2020
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Attributable to:			
Ordinary equity holders of the Company		38,381	36,484
Non-controlling interests		393	1,027
Profit for the period		<u>38,774</u>	<u>37,511</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to ordinary equity holders of the Company	(7)		
Basic		<u>2.49</u>	<u>2.39</u>
Diluted		<u>2.49</u>	<u>2.39</u>
Interim dividend per share		<u>2.00</u>	<u>1.80</u>

Details of the dividends paid and declared for the period are disclosed in note 6 to the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021

	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>38,774</u>	<u>37,511</u>
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial information	<u>(1,480)</u>	<u>-</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(1,480)</u>	<u>-</u>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	<u>5,117</u>	<u>(11,337)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>5,117</u>	<u>(11,337)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>3,637</u>	<u>(11,337)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>42,411</u>	<u>26,174</u>
Attributable to:		
Ordinary equity holders of the Company	<u>42,193</u>	25,147
Non-controlling interests	<u>218</u>	<u>1,027</u>
	<u>42,411</u>	<u>26,174</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Debt investments at amortised cost		436,034	583,153
Equity investments designated at fair value through other comprehensive income		354,400	349,110
Other non-current assets		48,640	50,407
Total non-current assets		839,074	982,670
CURRENT ASSETS			
Trade receivables	(8)	183,710	136,420
Debt investments at amortised cost		146,818	40,013
Financial assets at fair value through profit or loss		74,468	87,784
Pledged deposits		19,231	18,582
Cash and cash equivalents		1,688,718	1,712,218
Other current assets		227,925	169,315
Total current assets		2,340,870	2,164,332
CURRENT LIABILITIES			
Trade payables	(9)	109,352	91,294
Other payables and accruals		235,787	203,858
Interest-bearing bank borrowings		46,938	17,720
Other current liabilities		178,555	205,135
Total current liabilities		570,632	518,007
NET CURRENT ASSETS		1,770,238	1,646,325
TOTAL ASSETS LESS CURRENT LIABILITIES		2,609,312	2,628,995
NON-CURRENT LIABILITIES			
Total non-current liabilities		23,447	28,186
Net assets		2,585,865	2,600,809
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	(10)	154,334	152,834
Reserves		2,418,987	2,425,518
		2,573,321	2,578,352
Non-controlling interests		12,544	22,457
Total equity		2,585,865	2,600,809

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: *Interim Financial Reporting* and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain investments which have been measured at fair value. These interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

These interim condensed consolidated financial statements for the six months ended 30 June 2021 are unaudited and have been reviewed by the Audit Committee of the Company.

(2) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial statements.

Amendments to HKFRS 16

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Several amendments apply for the first time in the current period. The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

(3) Operating Segment information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the “financial investments” segment engages in treasury management and consulting services;
- (b) the “interior decoration and renovation” segment engages in the interior decoration and renovation, and sale of furniture business;
- (c) the “export operations” segment engages in exports apparel; and
- (d) the “retail, franchise and others” segment mainly includes retail operation in Hong Kong and franchise sales under the “Jeanswest” brand in overseas markets within the casual wear and apparel domain.

Information regarding the Group’s reportable segments, together with their related comparative information, is presented below:

Six months ended 30 June 2021 (Unaudited)

	Financial investments <i>HK\$'000</i>	Interior decoration and renovation <i>HK\$'000</i>	Export operations <i>HK\$'000</i>	Retail, franchise and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Revenue from external parties	27,750	233,082	131,017	30,060	421,909
Other income and gains	-	2,824	3,270	2,862	8,956
Total	<u>27,750</u>	<u>235,906</u>	<u>134,287</u>	<u>32,922</u>	<u>430,865</u>
Segment results	<u>26,336</u>	<u>606</u>	<u>5,310</u>	<u>1,740</u>	33,992
Interest income					10,330
Unallocated revenue					7,822
Corporate and other unallocated expenses					(8,557)
Finance costs (other than interest on lease liabilities)					(597)
Profit before tax					42,990
Income tax expense					(4,216)
Profit for the period					<u>38,774</u>

Six months ended 30 June 2020 (Unaudited)

	Financial investments <i>HK\$'000</i>	Interior decoration and renovation <i>HK\$'000</i>	Export operations <i>HK\$'000</i>	Retail, franchise and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Revenue from external parties	37,403	313,023	90,400	16,959	457,785
Other income and gains	3,544	1,265	822	2,287	7,918
Total	<u>40,947</u>	<u>314,288</u>	<u>91,222</u>	<u>19,246</u>	<u>465,703</u>
Segment results	<u>32,585</u>	<u>3,312</u>	<u>3,992</u>	<u>20</u>	39,909
Interest income					13,402
Unallocated revenue					628
Corporate and other unallocated expenses					(11,470)
Finance costs (other than interest on lease liabilities)					(487)
Profit before tax					41,982
Income tax expense					(4,471)
Profit for the period					<u>37,511</u>

(4) Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,029	959
Depreciation of right-of-use assets	3,248	5,837
Loss on disposal of items of property, plant and equipment	34	7
Interest income	(10,330)	(13,402)

(5) Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current - Hong Kong	3,875	3,901
Current - Elsewhere	1,508	1,074
Deferred	(1,167)	(504)
	4,216	4,471

(6) Dividends

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary equity holders of the Company:		
Final dividend paid	64,820	51,963
Interim dividend declared	30,867	27,510

(7) **Earnings per share**

(a) *Basic earnings per share*

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<u>38,381</u>	<u>36,484</u>
	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,541,098</u>	<u>1,528,336</u>

(b) *Diluted earnings per share*

The diluted earnings per share is not presented as the Company does not have dilutive potential ordinary share for both periods presented.

(8) **Trade receivables**

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Less than 4 months	136,264	94,487
4 to 6 months	28,191	32,122
Over 6 months	19,255	9,811
	<u>183,710</u>	<u>136,420</u>

The credit period is generally 15 to 90 days. The trade receivables are non-interest-bearing.

(9) Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Less than 4 months	108,515	88,602
4 to 6 months	521	1,495
Over 6 months	316	1,197
	<u>109,352</u>	<u>91,294</u>

The trade payables are non-interest-bearing and are normally settled on 105 day terms.

(10) Share capital

	Number of ordinary shares		Nominal value	
	30 June 2021 (Unaudited) '000	31 December 2020 (Audited) '000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each	<u>1,543,336</u>	<u>1,528,336</u>	<u>154,334</u>	<u>152,834</u>

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue of HK\$0.1 each '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2020, 31 December 2020 and 1 January 2021 (Audited)	1,528,336	152,834	733,815	886,649
Issue of shares (Unaudited)	<u>15,000</u>	<u>1,500</u>	<u>16,096</u>	<u>17,596</u>
At 30 June 2021 (Unaudited)	<u>1,543,336</u>	<u>154,334</u>	<u>749,911</u>	<u>904,245</u>

(11) Events after the end of the reporting period

Deemed disposal of partial interest in a subsidiary

Pursuant to the capital increase agreement dated 9 July 2021, Shijiazhuang Jingdao Technology Co., Limited (the “New Investor”) agreed to subscribe 10% of the enlarged registered capital of Shijiazhuang Changhong Building Decoration Engineering Company Limited (“Shijiazhuang Changhong”, an indirect non-wholly owned subsidiary of the Company), for a cash consideration of RMB6,125,000. The New Investor is wholly-owned by Mr. Wang Yue, a director of Shijiazhuang Changhong.

Following the completion of the transaction on 13 July 2021, the Company’s interest in Shijiazhuang Changhong is diluted from 65% to 58.5%. Shijiazhuang Changhong and its subsidiaries remains as indirect non-wholly owned subsidiaries of the Company. There is no expected gain or loss for the transaction.

Details of the transaction are set out in the Company’s announcements dated 9 July 2021 and 21 July 2021.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK2.00 cents (2020: HK1.80 cents) per share for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company as at the close of business on Thursday, 16 September 2021. The interim dividend will be paid to shareholders on Tuesday, 28 September 2021.

REVIEW OF OPERATIONS

In the first half of the year 2021, the predominant factor for global economic recovery was still the COVID-19 pandemic. In view of the readiness of the vaccines against COVID-19 at last year-end, the market sentiment was fairly optimistic at the beginning of the year. However, due to inadequate supply, shortage of vaccines was the common problem encountered by developing countries. Although supply in developed countries was adequate, progress of vaccination was still behind expected schedule. During the period, COVID-19 virus mutated into several variants, one of which, the very infective variant Delta, accelerated the spread of the pandemic in the world. Social distancing measures were stingingly re-introduced resulting in closure of districts, cities and countries. Part of the global supply chains was interrupted and container shipping costs surged. Consequentially inflation was reignited. The market worried if the qualitative easing measures would decelerate earlier.

Under such situation, economic recovery was uneven and weaker than expected. However, global economies managed to rebound from the same period of last year in spite of business environment of retailing and those related to tourism were still very challenging. In the period, investment income of the Group was lower than last year because no new investment had been made and some bonds in the portfolio matured and were redeemed. The market sentiment for interior decoration and renovation was sluggish. Management endeavoured to develop new customers and the results were satisfactory. However, turnover of the Group’s Interior Decoration and Renovation operations was lower than the same period of previous year as the booking of revenue was based on job completions. On the other hand, export operations and Jeanswest retailing and oversea franchising resumed their respective growth.

During the period under review, the Group recorded a turnover of HK\$421,909,000, representing a decrease of 7.84% when compared with the corresponding period in last year (2020: HK\$457,785,000).

Due to the above-mentioned reasons, profit attributable to equity holders of the Group was HK\$38,381,000, representing an increase of 5.20% when compared with the corresponding period in last year (2020: HK\$36,484,000).

The following are the main operating data of the Group during the first half of the year under review:

	2021	2020	Changes
	1st Half	1st Half	
<i>(Unit: HK\$'000)</i>			
Consolidated Sales	421,909	457,785	↓ 7.84%
of which:			
A. Financial investments	27,750	37,403	↓ 25.81%
B. Interior decoration and renovation	233,082	313,023	↓ 25.54%
C. Export sales	131,017	90,400	↑ 44.93%
D. Hong Kong retailing and overseas franchising	30,056	16,935	↑ 77.48%
Profit attributable to ordinary equity holders of the Company	38,381	36,484	↑ 5.20%
<i>(Unit: HK cents)</i>			
Interim earnings per share (basic)	2.49	2.39	↑ 4.18%
Interim dividend per share	2.00	1.80	↑ 11.11%
	As at	As at	
	30 June	31 December	
	2021	2020	Changes
<i>(Unit: HK\$'000)</i>			
Net cash & near cash in hand*	2,663,914	2,765,528	↓ 3.67%

* "Net cash and near cash in hand" consists of debt investments at amortised cost, listed equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, pledged deposits, cash and cash equivalents, net of interest-bearing bank borrowings.

1. Financial Investments

New investment had been temporarily withheld after the increase of cash portion in the portfolio last year. It was attributed to the mutation of COVID-19 virus into delta variant that caused the re-launch of social distancing measures and semi stand-still of international travel. The revitalization of inflation was another uncertainty. Even it might be a temporary phenomenon, there was concern for Fed's interest rate hikes and shrinking of its balance sheet. During the period, Dow Jones and NASDAQ kept on moving up-ward since the later part of first quarter but Hang Seng and A share indexes still fluctuated below the year height achieved in the first quarter. In Mainland China, the Authority endeavoured to deflate property bubble by all deleverage measures including suspension of property related bank loans especially to those high gearing developers. The Authority also resolutely enforced disciplines on those technology conglomerates regarding their unfair competition and monopoly maneuver as well as expansion, mergers and acquisitions of non-related sectors. Listing of internet companies in oversea stock exchanges had to get prior approval from Cyberspace Administration of China. Stock market sentiment became slothful and companies with high debt level encountered cash flow problem. Default in corporate bonds turned to be not uncommon.

At the beginning of the year, the Group's bond portfolio was HK\$964,664,000. During the period, there was around HK\$40,000,000 worth of RMB bonds matured and were redeemed. The revenue generated in the period was HK\$27,750,000 (2020: HK\$37,403,000). Due to the high comparable base in last year, the decrease percentage was 25.81%. As at 30 June 2021, the Group's holding of bond had a book value of around HK\$928,435,000 with the average yield of 5.88%.

2. Interior Decoration and Renovation

In the period, the recovery of retail consumption was relatively weaker than other sectors but e-shopping became more and more popular during the pandemic. This trend favored e-shop against bricks and mortar shop and thus slackened decoration and renovation activities. Some of our clients had down-sized their bricks and mortar shop networks. The Management thus endeavoured to explore and develop new customers. Attributed to our good brand image, we managed to have new orders up to the expected level. The negative growth in turnover was attributed to accounting technicality that the booking of revenue was based on job completions.

In the first half of the year, turnover amounted to HK\$233,082,000 showing a drop of 25.54% when compared with last period (2020: HK\$313,023,000).

3. Export Operations

The export operations of the Group were composed of oversea agency trading and design centre targeting US as our main market. In the period, although US were also affected by COVID-19 delta virus variant, they had enough vaccines to support nationwide vaccination smoothly. Retail activities were thus not so sluggish and our export operations resumed its turnover growth. The total export sales in the period increased to HK\$131,017,000 (2020: HK\$90,400,000) representing an improvement of 44.93%.

4. Hong Kong Retailing and Overseas Franchising

During the period under review, retailing became relatively active but was far from resilience in the pre-pandemic period. Due to the improvement of design and mix of Jeanswest products, both our sales and margin grew. During the period, total turnover of HK\$30,056,000 (2020: HK\$16,935,000) was registered showing an increase of 77.48%.

5. Financial Position

Liquidity and financial resources

In the period, the financial position of the Group was solid. As at 30 June 2021, the Group held net cash and near cash in hand of HK\$2,663,914,000 (31 December 2020: HK\$2,765,528,000).

Significant investments held

The Group's significant investments held are marketable debt instruments which as at 30 June 2021 amounted to HK\$928,435,000 (31 December 2020: HK\$964,664,000). The decrease of HK\$36,229,000 was mainly attributed to the redemption of certain debt instruments upon maturity.

6. Human Resources

As at 30 June 2021, the Group employed 491 members of staff. The Group offered competitive remuneration packages to its employees. Furthermore, incentives were granted to employees depending on the Group's overall performance and individual performance.

PROSPECTS

Looking forward to the ensuing months of this financial year, the macroeconomic development will be highly hinged on the effective containment of COVID-19 virus variants and alleviation of Sino-American conflicts. The Management cautiously expects the Group to perform better in the second half of the year. We will versatily adjust our investment and operation strategies to cope with market challenges so as to progress prudently and smoothly.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 September 2021 to Thursday, 16 September 2021, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 September 2021.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

By Order of the Board
Glorious Sun Enterprises Limited
Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 24 August 2021

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

Dr. Charles Yeung, GBS, JP, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman, SBS, MH, JP, Ms. Cheung Wai Yee and Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors:

Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chan Chung Bun, Bunny, GBM, JP, Mr. Ng Wing Ka, Jimmy, BBS, JP and Mr. Choi Tak Shing, Stanley, JP