Realord

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

Interim Report 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

Independent Non-executive Directors
Yu Leung Fai
Fang Jixin
Li Jue

COMPANY SECRETARY

Chan Chu Kin

LEGAL ADVISER

Michael Li & Co.

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Merchants Bank
United Overseas Bank Limited
Hong Kong Branch

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018

	Notes	For the six months ended **30 June 2018 (Unaudited) *HK$'000***	30 June 2017 (Unaudited) *HK$'000*
REVENUE	3	**220,308**	216,233
Cost of sales		**(158,840)**	(163,953)
Gross profit		**61,468**	52,280
Other income and other gains and losses	4	**681,789**	156,561
Selling and distribution expenses		**(5,273)**	(2,141)
Administrative expenses		**(71,048)**	(63,697)
Finance costs	5	**(162,671)**	(13,517)
PROFIT BEFORE TAX		**504,265**	129,486
Income tax expense	6	**(157,049)**	(42,395)
PROFIT FOR THE PERIOD	8	**347,216**	87,091
Attributable to:			
Owners of the Company		**343,992**	84,273
Non-controlling interests		**3,224**	2,818
		347,216	87,091
Earnings per share			
– Basic	10	**HK27.21 cents**	HK7.57 cents
– Diluted	10	**HK27.18 cents**	HK7.55 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2018

	For the six months ended	
	30 June	30 June
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**347,216**	87,091
OTHER COMPREHENSIVE (EXPENSE) INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(265,649)**	21,289
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**81,567**	108,380
Attributable to:		
Owners of the Company	**78,297**	105,463
Non-controlling interests	**3,270**	2,917
	81,567	108,380

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	**As at 30 June 2018 (Unaudited) *HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**104,658**	102,527
Prepaid lease payments		**5,199**	5,323
Investment properties	11	**9,030,650**	1,344,575
Goodwill		**28,497**	28,497
Other intangible asset		**4,400**	4,400
Finance lease receivables		**–**	4,688
Available-for-sale investments		**–**	11,789
Prepayments, deposits and other receivables		**81,367**	11,630
		9,254,771	1,513,429
CURRENT ASSETS			
Inventories		**60,338**	42,536
Trade receivables	12	**238,468**	310,702
Receivables arising from securities broking	12	**123,143**	130,067
Prepaid lease payments		**119**	120
Prepayments, deposits and other receivables		**283,274**	38,892
Finance lease receivables		**–**	2,283
Tax recoverable		**4,438**	2,674
Financial assets at fair value through profit or loss	13	**108,921**	55,991
Cash held on behalf of clients		**12,125**	17,321
Bank balances and cash		**218,101**	61,477
		1,048,927	662,063
CURRENT LIABILITIES			
Trade payables	14	**37,783**	67,543
Payables arising from securities broking	14	**23,263**	37,744
Contract liabilities		**42,739**	–
Other payables and accruals		**106,648**	53,260
Bank borrowings and overdrafts	17	**525,233**	255,525
Amounts due to related parties	15	**52,249**	37,531
Tax payable		**9,699**	9,898
		797,614	461,501
NET CURRENT ASSETS		**251,313**	200,562
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,506,084**	1,713,991

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2018

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
EQUITY			
Share capital	16	**143,350**	115,075
Reserves		**2,321,952**	955,317
Equity attributable to owners of the Company		**2,465,302**	1,070,392
Non-controlling interests		**33,998**	33,606
Total equity		**2,499,300**	1,103,998
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**381,804**	231,305
Bank borrowings	17	**4,119,253**	–
Loans from ultimate holding company	18	**621,409**	378,688
Promissory note payables		**1,884,318**	–
		7,006,784	609,993
		9,506,084	1,713,991

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2018

	For the six months ended	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
	HK$'000	*HK$'000*
Net cash (used in) generated from operating activities	**(193,210)**	41,080
Investing activities		
– Net cash outflow on acquisition of assets and liabilities through acquisition of subsidiaries	**(4,499,634)**	–
– Net cash outflow on acquisition of subsidiaries	**–**	(15,295)
– Other investing cash flows	**(70,296)**	(991)
Net cash used in investing activities	**(4,569,930)**	(16,286)
Financing activities		
– New bank borrowings raised	**4,911,355**	–
– Repayment of bank and other borrowings	**(250,981)**	–
– Loans from ultimate holding company	**243,804**	80,659
– Other financing cash flows	**–**	(88,625)
Net cash generated from (used in) financing activities	**4,904,178**	(7,966)
Net increase in cash and cash equivalents	**141,038**	16,828
Cash and cash equivalents at 1 January	**46,632**	43,192
Effect of foreign exchange rate changes	**29,350**	3,123
Cash and cash equivalents at 30 June, represented by	**217,020**	63,143
Bank balances and cash	**218,101**	82,294
Bank overdrafts	**(1,081)**	(19,151)
	217,020	63,143

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Shares to be issued** *HK$'000*	**Share option reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Exchange translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	115,000	590,590	–	15,796	–	28,274	(35,470)	183,907	898,097	–	898,097
Profit for the period	–	–	–	–	–	–	–	84,273	84,273	2,818	87,091
Other comprehensive income for the period: Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	21,190	–	21,190	99	21,289
Total comprehensive income for the period	–	–	–	–	–	–	21,190	84,273	105,463	2,917	108,380
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	16,982	16,982
Recognition of equity-settled share-based payment expense	–	–	–	3,813	–	–	–	–	3,813	–	3,813
At 30 June 2017 (Unaudited)	115,000	590,590	–	19,609	–	28,274	(14,280)	268,180	1,007,373	19,899	1,027,272
At 31 December 2017	115,075	594,347	20,441	19,319	1,900	27,962	15,797	275,551	1,070,392	33,606	1,103,998
Impact on initial application of HKFRS 9	–	–	–	–	–	2,055	–	(8,944)	(6,889)	(2,878)	(9,767)
At 1 January 2018	115,075	594,347	20,441	19,319	1,900	30,017	15,797	266,607	1,063,503	30,728	1,094,231
Profit for the period	–	–	–	–	–	–	–	343,992	343,992	3,224	347,216
Other comprehensive expense for the period: Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(265,695)	–	(265,695)	46	(265,649)
Total comprehensive income (expense) for the period	–	–	–	–	–	–	(265,695)	343,992	78,297	3,270	81,567
Shares issued in respect of acquisition of assets through acquisition of subsidiaries *(note 7)*	28,100	1,295,402	–	–	–	–	–	–	1,323,502	–	1,323,502
Issue of shares *(note 16)*	175	8,768	(8,943)	–	–	–	–	–	–	–	–
At 30 June 2018 (Unaudited)	**143,350**	**1,898,517**	**11,498**	**19,319**	**1,900**	**30,017**	**(249,898)**	**610,599**	**2,465,302**	**33,998**	**2,499,300**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2018

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA, which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Sales of motor vehicle parts, scrap materials and other goods
- Rendering of financial printing, digital printing and other related services
- Commission income from securities broking
- Interest income from margin financing
- Gross rental income from property investment

Revenue from sales of motor vehicle parts, scrap materials and other goods is recognised at a point in time when the customer obtains control of the distinct goods (customer's acceptance has been obtained).

Revenue from rendering of financial printing, digital printing and other related services is recognised over time when the services are rendered.

Revenue from commission income from securities broking is recognised at a point in time when the customer entitled in exchange for arranging securities broking services provided by the Group.

Interest income from margin financing is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Gross rental income from property investment is recognised in profit or loss on a straight-line basis over the term of the relevant lease under HKAS 17 "Leases". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customers, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Overtime revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The Group has assessed the impact of application of HKFRS 15 and based on its assessment, the adoption has no significant impact on the retained earnings as at 1 January 2018.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Contract liabilities	–	3,050	3,050
Other payables and accruals	53,260	(3,050)	50,210

* The amounts in this column are before the adjustments from the application of HKFRS 9.

As at 1 January 2018, advances from customers of HK$3,050,000 in respect of services contract from the Commercial Printing Segment previously included in other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Application of new and amendments to HKFRSs (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the condensed consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	(Unaudited)		
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Contract liabilities	42,739	(42,739)	–
Other payables and accruals	106,648	42,739	149,387

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, receivables arising from securities broking and lease receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables, receivables arising from securities broking and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and receivables arising from securities broking and lease receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 9 at 1 January 2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Available-for-sale investments	(a)	11,789	(11,789)	–	–
Current assets					
Trade receivables	(b)	310,702	–	(12,145)	298,557
Financial assets at FVTPL	(a)	55,991	11,789	–	67,780
Non-current liabilities					
Deferred tax liabilities	(b)	231,305	–	(2,378)	228,927
Equity					
Retained profits	(a), (b)	275,551	(2,055)	(6,889)	266,607
Assets revaluation reserve	(a)	27,962	2,055	–	30,017
Non-controlling interests	(b)	33,606	–	(2,878)	30,728

(a) Available-for-sale investments

From available-for-sale financial assets at FVTPL

At the date of initial application of HKFRS 9, HK$11,789,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value loss of HK$2,055,000 relating to those investments previously carried at fair value were transferred from assets revaluation reserve to retained profits.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)
Application of new and amendments to HKFRSs (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortized cost mainly comprise of bank balances, lease receivables and other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$12,145,000 has been recognised against retained profits. The additonal loss allowance is charged against trade and other receivables.

The loss allowances for trade and other receivables as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 is as follow:

	Trade and other receivables *HK$'000*
At 31 December 2017 – HKAS 39	–
Amount remeasured through opening retained profits	12,145
At 1 January 2018	12,145

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is organised into business units based on their products and services and has seven operating segments, which are the same reportable segments, as follows:

(a) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(b) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products ("Hangtag Segment");

(c) distribution and sales of motor vehicle parts ("Motor Vehicle Parts Segment");

(d) provision of securities brokerage services and margin financing ("Financial Services Segment");

(e) trading of electronic products and computer components ("Trading Segment");

(f) property investment ("Property Investment Segment"); and

(g) sourcing, dismantling and trading of scrap materials ("Environmental Protection Segment").

Hangtag Segment and Trading Segment do not meet any quantitative thresholds for reportable segments. These segments are separately disclosed as the CODM considers that the information about the segments would be useful to users of the condensed consolidated financial statements.

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that bank interest income, certain other income, gain on disposal of/fair value gain on financial assets at FVTPL, revaluation surplus/deficit on property, plant and equipment, corporate expenses, as well as certain finance costs are excluded from such measurement.

Segment assets exclude available-for-sale investments, financial assets at FVTPL, tax recoverable, bank balances and cash and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude loans from ultimate holding company, certain bank borrowings and bank overdrafts, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales are charged at prevailing market prices.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue represents the invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered, commission income from securities broking, interest income from margin financing and gross rental income during the period.

The following is an analysis of the Group's revenue by reportable segments:

	For the six months ended 30 June 2018 (Unaudited) *HK$'000*
Sales of goods	
Environmental Protection Segment	**113,775**
Motor Vehicle Parts Segment	**46,447**
Hangtag Segment	**498**
Rendering of services from Commercial Printing Segment	**44,855**
Commission income from securities broking from Financial Services Segment	**622**
Interest income from margin financing from Financial Services Segment	**4,338**
Gross rental income from property investment business	**9,773**
	220,308
Timing of revenue recognition:	
– Recognised at a point in time	**161,342**
– Recognised over time	**44,855**
	206,197
Revenue from other sources:	
– Rental income	**9,773**
– Interest income from margin financing from Financial Services Segment	**4,338**
	14,111
	220,308

3. REVENUE AND SEGMENT INFORMATION (Continued)

Information regarding the Group's reportable operating segments as provided to the Group's executive directors is set out below:

	Commercial Printing (Unaudited) *HK$'000*	Hangtag (Unaudited) *HK$'000*	Motor Vehicle Parts (Unaudited) *HK$'000*	Financial Services (Unaudited) *HK$'000*	Trading (Unaudited) *HK$'000*	Property Investment (Unaudited) *HK$'000*	Environmental Protection (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2018								
Segment revenue								
Sales to external customers	44,855	498	46,447	4,960	–	9,773	113,775	220,308
Inter-segment sales	687	–	–	4	–	–	–	691
	45,542	498	46,447	4,964	–	9,773	113,775	220,999
Elimination of inter-segment sales								(691)
								220,308
Segment results	2,094	(116)	76	412	(305)	353,660	11,147	366,968
Bank interest income								383
Other income								696
Unallocated exchange gain								181,179
Fair value gain on financial assets at FVTPL								40,043
Gain on disposal of financial assets at FVTPL								2,292
Revaluation deficit on property, plant and equipment								(2,371)
Corporate expenses								(23,697)
Finance costs								(61,228)
Profit before tax								504,265

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Commercial Printing (Unaudited) *HK$'000*	Hangtag (Unaudited) *HK$'000*	Motor Vehicle Parts (Unaudited) *HK$'000*	Financial Services (Unaudited) *HK$'000*	Trading (Unaudited) *HK$'000*	Property Investment (Unaudited) *HK$'000*	Environmental Protection (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
As at 30 June 2018								
Segment assets	19,201	1,213	145,112	145,361	91	9,269,850	313,857	9,894,685
Corporate and unallocated assets								409,013
Total assets								10,303,698
Segment liabilities	21,624	486	7,621	23,668	-	6,337,812	119,379	6,510,590
Corporate and unallocated liabilities								1,293,808
Total liabilities								7,804,398
Other segment information:								
Depreciation	638	72	363	72	14	109	788	2,056
Fair value gain on investment properties	-	-	-	-	-	455,454	-	455,454
Capital expenditure*	529	310	943	-	-	7,643,510	339	7,645,631

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Commercial Printing (Unaudited) HK$'000	Hangtag (Unaudited) HK$'000	Motor Vehicle Parts (Unaudited) HK$'000	Financial Services (Unaudited) HK$'000	Trading (Unaudited) HK$'000	Property Investment (Unaudited) HK$'000	Environmental Protection (Unaudited) HK$'000	Total (Unaudited) HK$'000
Six months ended 30 June 2017								
Segment revenue								
Sales to external customers	38,872	1,608	19,346	5,448	–	9,076	141,883	216,233
Inter-segment sales	588	–	–	9	–	–	–	597
	39,460	1,608	19,346	5,457	–	9,076	141,883	216,830
Elimination of inter-segment sales								(597)
								216,233
Segment results	380	(60)	138	1,881	(116)	150,777	7,953	160,953
Bank interest income								30
Fair value gain on financial assets at FVTPL								9,909
Gain on disposal of financial assets at FVTPL								2,015
Revaluation surplus on property, plant and equipment								1,860
Corporate expenses								(31,764)
Finance costs								(13,517)
Profit before tax								129,486

3. REVENUE AND SEGMENT INFORMATION (Continued)

	Commercial Printing (Audited) *HK$'000*	Hangtag (Audited) *HK$'000*	Motor Vehicle Parts (Audited) *HK$'000*	Financial Services (Audited) *HK$'000*	Trading (Audited) *HK$'000*	Property Investment (Audited) *HK$'000*	Environmental Protection (Audited) HK$'000	Total (Audited) *HK$'000*
As at 31 December 2017								
Segment assets	12,135	1,122	126,318	160,353	74	1,349,360	310,503	1,959,865
Corporate and unallocated assets								215,627
Total assets								2,175,492
Segment liabilities	12,674	535	18,537	37,890	–	5,049	107,085	181,770
Corporate and unallocated liabilities								889,724
Total liabilities								1,071,494
Other segment information:								
Depreciation	1,695	105	325	153	244	36	33	2,591
Fair value on investment properties	–	–	–	–	–	155,749	–	155,749
Loss on disposal of property, plant and equipment	–	–	428	–	–	–	–	428
Capital expenditure*	1,377	–	1,010	2	2,596	28,180	347	33,512

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Other income		
Bank interest income	**383**	30
Finance lease interest income	**344**	369
Others	**760**	1,532
	1,487	1,931
Other gains and losses		
Fair value gain on investment properties	**455,454**	144,070
Revaluation (deficit)/surplus on property, plant and equipment	**(2,371)**	1,860
Gain on disposal of financial assets at FVTPL	**2,292**	2,015
Fair value gain on financial assets at FVTPL	**40,043**	9,909
Exchange gain/(loss), net	**182,077**	(3,224)
Reversal of allowance for impairment	**2,807**	–
	680,302	154,630
	681,789	156,561

5. FINANCE COSTS

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Interest on bank borrowings and overdrafts	**94,426**	3,001
Interest on loans from ultimate holding company	**17,012**	10,516
Interest on promissory note payables	**51,233**	–
	162,671	13,517

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

	For the six months ended	
	30 June 2018 (Unaudited) *HK$'000*	30 June 2017 (Unaudited) *HK$'000*
Current tax – Hong Kong	**2,893**	774
Current tax – Mainland China	**(1,759)**	69
Deferred tax	**155,915**	41,552
	157,049	42,395

7. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2018

On 19 April 2018, the Group completed the acquisition of the entire equity interest in Realord Ventures Limited ("Realord Ventures") and Manureen Ventures Limited ("Manureen Ventures"), from the Company's controlling shareholders, namely Dr. Lin and Madam Su, also being the executive directors of the Company, at total consideration of approximately RMB6,313,554,000 (equivalent to approximately HK$7,897 million) (subject to adjustment to the Ancillary Net Items as at the date of completion). Realord Ventures and Manureen Ventures respectively hold 70% and 30% of the equity interest in Realord Investment Limited ("Realord Investment"). Realord Investment is engaged in investment holding and its principal assets are properties held by its subsidiaries in PRC, details of which are set out in the Group's circular dated 23 March 2018.

7. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

For the six months ended 30 June 2018 (Continued)

This transaction has been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

The assets and liabilities acquired in the above acquisitions are as follows:

	(Unaudited) ***HK$'000***
Property, plant and equipment	**2,780**
Investment properties	**7,643,510**
Trade and other receivables	**178,696**
Bank balance and cash	**3,091**
Trade and other payables	**(57,012)**
Amounts due to related companies	**(116,087)**
Amounts due to directors	**(2,637,016)**
Bank borrowing	**(212,629)**
Finance lease obligations	**(6,207)**
Income tax payable	**(2,659)**
Net assets	**4,796,467**
Settlement of Target's Outstanding Debts	**2,980,195**
	7,776,662
Satisfied by:	
– Cash	**4,502,725**
– Consideration shares	**1,323,502**
– Promissory notes	**1,950,435**
	7,776,662
Cash consideration	**(4,502,725)**
Bank balances and cash acquired	**3,091**
Net outflow of cash and cash equivalents	**(4,499,634)**

8. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	For the six months ended	
	30 June 2018 (Unaudited) ***HK$'000***	30 June 2017 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	**4,631**	5,096
Amortisation of prepaid lease payments	**61**	57
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**4,030**	23
Employee benefit expense (including directors' emoluments)	**35,624**	32,010
Equity-settled share option expenses	**–**	3,813
Minimum lease payments under operating leases	**11,976**	10,762

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2018 (2017: Nil), nor has any dividend been proposed since the end of both reporting periods.

10. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	Six months ended 30 June 2018 (Unaudited) ***HK$'000***	Six months ended 30 June 2017 (Unaudited) *HK$'000*
Earnings		
Earnings for the purpose(s) of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**343,992**	84,273

10. EARNINGS PER SHARE (Continued)

	Number of shares	
	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,264,304,653**	1,150,001,398
Effect of dilutive potential ordinary shares:		
Share options of the Company	**1,502,364**	1,219,167
Contingently issuable shares in relation to acquisition of Realord Environmental Protection	**–**	1,698,895
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,265,807,017**	1,152,919,460

11. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2017	1,106,525
Additions	28,180
Net gain on fair value recognised in profit or loss	155,749
Exchange realignment	54,121
At 31 December 2017 and at 1 January 2018 (Audited)	1,344,575
Additions	75
Acquisition of assets and liabilities through acquisition of subsidiaries (note 7)	7,643,510
Net gain on fair value recognised in profit or loss	455,454
Exchange realignment	(412,964)
At 30 June 2018 (Unaudited)	9,030,650

At 30 June 2018, the Group's investment properties with a carrying value of approximately HK$8,423,812,000 (31 December 2017: HK$440,770,000) were pledged to secure banking facilities granted to the Group, of which investment properties with a carrying value of HK$292,515,000 were in the progress to release the pledge upon expiry of the relevant banking facilities.

12. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Trade receivables	**247,806**	310,702
Impairment loss allowance	**(9,338)**	–
	238,468	310,702
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts receivable	**10,577**	21,225
Clearing house	**602**	–
Loans to margin clients	**111,964**	108,842
Receivables arising from securities broking	**123,143**	130,067
Total trade receivables and receivables arising from securities broking	**361,611**	440,769

Trade receivables excluding receivables from Financial Services Segment

The credit periods are generally one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management.

Receivables arising from Financial Services Segment

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit worthiness.

12. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

Receivables arising from Financial Services Segment (Continued)

An aging analysis of trade receivables and receivables arising from securities broking as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Current to 30 days	**37,340**	130,357
31 to 60 days	**14,554**	23,912
61 to 90 days	**50,946**	120,984
Over 90 days	**135,628**	35,449
	238,468	310,702
Cash clients accounts receivable	**10,577**	21,225
Clearing house	**602**	–
Loans to margin clients#	**111,964**	108,842
	361,611	440,769

The loans to margin clients are secured by the underlying pledged securities of clients, are repayable on demand or agreed dates of repayment and bear interest at commercial rates. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis is not relevant in view of the nature of the business of securities margin financing. As at 30 June 2018, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$315,102,000 (31 December 2017: HK$331,742,000).

12. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

Allowance for impairment

During the current interim period, the Group provided HK$2,807,000 reversal of impairment loss allowance based on the provision matrix.

The movement in the allowance for impairment in respect of trade receivables/ receivables arising from securities broking during the current interim period was as follows:

	HK$'000
As at 1 January 2018*	**12,145**
Net remeasurement of loss allowance	**(2,807)**
As at 30 June 2018	**9,338**

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information do not restated.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Club and school debentures	**6,989**	–
Listed equity investments	**101,737**	55,991
Foreign currency forward contracts	**195**	–
	108,921	55,991

14. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Trade payables	**37,783**	67,543
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts payable	**23,263**	35,347
Clearing house	**–**	2,397
Payables arising from securities broking	**23,263**	37,744
Total trade payables and payables arising from securities broking	**61,046**	105,287

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

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Current to 30 days	**9,486**	1,585
31 to 60 days	**2,727**	58,335
61 to 90 days	**15,609**	4,456
Over 90 days	**9,961**	3,167
	37,783	67,543

14. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

The credit period of trade payables arising from Commercial Printing, Hangtag, Motor Vehicle Parts, Trading, Property Investment and Environmental Protection Segments ranges from 60 to 90 days. The normal settlement terms of payable to clearing house, arising from securities broking are two trading days after the trade date.

Included in the cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of approximately HK$15,015,000 (31 December 2017: HK$17,712,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 30 June 2018, the cash clients accounts payable included an amount of HK$124,000 (31 December 2017: HK$128,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest bearing. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis is not meaningful in view of the nature of the business of dealing in securities.

15. AMOUNTS DUE TO RELATED PARTIES

Amounts due to related parties are unsecured, interest-free and repayable on demand. The related parties included a director of the Company and the non-controlling shareholder of a subsidiary of the Company, which he has significant influence over that subsidiary.

16. SHARE CAPITAL

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,433,499,880 (31 December 2017: 1,150,751,398) ordinary shares of HK$0.10 each	**143,350**	115,075

16. SHARE CAPITAL (Continued)

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

	Number of ordinary shares in issue	Share capital *HK$'000*
At 1 January 2017	1,150,001,398	115,000
Issue of shares *(Note (a))*	750,000	75
At 31 December 2017 and at 1 January 2018 (audited)	1,150,751,398	115,075
Issue of shares in respect of acquisition of assets and liabilities through acquisition of subsidiaries *(Note (b))*	280,998,482	28,100
Issue of shares *(Note (c))*	1,750,000	175
At 30 June 2018 (unaudited)	1,433,499,880	143,350

Note:

(a) On 8 September 2017, the Company issued 750,000 shares for a consideration of HK$3,832,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016, details of which are set out in the Group's annual financial statements for the year ended 31 December 2017. The new shares rank pari passu with existing shares in all respects.

(b) On 19 April 2018, the Company issued 280,998,482 shares for a consideration of HK$1,323,502,000, being the consideration shares for the acquisition of Realord Ventures and Manureen Ventures. Further details are set out in note 7.

(c) On 8 June 2018, the Company issued 1,750,000 shares for a consideration of HK$8,943,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016, details of which are set out in the Group's annual financial statements for the year ended 31 December 2017. The new shares rank pari passu with existing shares in all respects.

17. BANK BORROWINGS AND OVERDRAFTS

	As at 30 June 2018			As at 31 December 2017		
	Effective interest rate (%)	**Maturity**	**(Unaudited) *HK$'000***	Effective interest rate (%)	Maturity	(Audited) *HK$'000*
Bank loan – secured	**Loan Prime Rate ("LPR") +2.1% p.a.**	**Within 1 year**	**26,075**	LPR +2.1% p.a.	Within 1 year	26,422
Bank loans – secured	**Hong Kong Interbank Offered Rate ("HIBOR") +1.25% to 1.75% p.a.**	**Within 1 year or on demand**	**264,101**	HIBOR +1.25% to 1.5% p.a.	Within 1 year or on demand	193,840
Bank loans – secured	**Fixed at 5.66%**	**Within 1 year**	**11,852**	Fixed at 5.4% to 5.66%	Within 1 year	20,418
Bank overdrafts – secured	**HIBOR +1.5% p.a.**	**On demand**	**1,081**	HIBOR +1.5% p.a.	On demand	14,845
Bank loans – secured	**Fixed at 5.7%to 6.0%**	**Within 5 years**	**4,341,377**	N/A	N/A	N/A
			4,644,486			255,525

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Current portion	**525,233**	255,525
Non-current portion	**4,119,253**	–
	4,644,486	255,525

17. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes:

(a) The Group's banking facilities amounted to HK$4,815,747,000 (31 December 2017: HK$403,952,000), of which HK$4,644,486,000 (31 December 2017: HK$255,525,000) had been utilised as at the end of the reporting period.

(b) Certain of the Group's bank loans and overdraft were secured by the Company's guarantee of up to HK$4,722,412,000 (31 December 2017: HK$230,000,000) and a mortgage over the Group's investment properties, which had a carrying value at the end of the reporting period of HK$8,131,297,000 (31 December 2017: HK$440,770,000) and mortgages over the Group's leasehold land and buildings with a carrying value at the end of the reporting period of HK$47,409,000 (31 December 2017: HK$72,187,000).

(c) Except for the secured bank loan of HK$4,379,304,000 which is denominated in RMB, all bank borrowings are denominated in Hong Kong dollars (31 December 2017: Except for the secured bank loan of HK$46,840,000 which is denominated in RMB and secured bank borrowing of HK$65,144,000 which dominated in US$, all bank borrowings are denominated in Hong Kong dollars).

18. LOANS FROM ULTIMATE HOLDING COMPANY

Loans from ultimate holding company were unsecured, interest bearing at 8.2% per annum and will be repayable in June 2020.

19. OPERATING LEASE COMMITMENTS

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Within one year	**10,483**	17,742
In the second to fifth years, inclusive	**5,606**	833
	16,089	18,575

20. CAPITAL COMMITMENTS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Contracted for but not provided:		
Capital injection in a joint venture engaged in securities brokerage business	**414,831**	420,350

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	For the six months ended	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
	HK$'000	*HK$'000*
Interest income on finance lease receivables from a related company	**344**	369
Interest expense on loans from ultimate holding company	**17,012**	10,516
Interest expense on promissory note payables	**51,233**	–
Rental expense paid to directors and substantial shareholders	**132**	132

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) During the six months ended 30 June 2018, the Group received loans from ultimate holding company of HK$243,804,000 (2017: HK$137,092,000). Further details of the transaction are included in note 18.

(ii) As at 31 December 2017, the Group had finance lease receivables due from a company jointly owned by Dr. Lin and Madam Su, both of whom are directors and controlling shareholders of the Company. The finance lease receivables were fully repaid during the current interim period.

(iii) As at 30 June 2018, bank borrowings amounting to approximately HK$11,852,000 (2017: HK$20,417,000) were guaranteed by a key management personnel of a subsidiary of the Group.

(iv) As at 30 June 2018, the cash clients accounts payable included an amount of HK$124,000 (2017: HK$128,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. Further details of the balances are included in note 14.

(v) During the current interim period, the Group entered into an acquisition agreement with Dr. Lin and Madam Su to acquire the entire equity interests in Realord Ventures and Manureen Ventures at a total consideration of approximately RMB6,313,554,000 (subject to adjustment to the Ancillary Net Items as at the date of completion). Further details of the transaction are included in note 7.

(c) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**5,306**	4,795
Post-employment benefits	**27**	27
Equity-settled share-based payment expenses	**–**	1,749
	5,333	6,571

22. FINANCIAL INSTRUMENTS BY CATEGORY

Fair value measurement recognised in the condensed consolidated statement of financial position

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables illustrate the fair value measurement hierarchy of the Group' financial instruments:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *HK$'000*	**Significant observable inputs (Level 2) (Unaudited)** *HK$'000*	**Significant unobservable inputs (Level 3) (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Financial assets at FVTPL				
Club and school debentures	–	6,989	–	6,989
Listed equity investments	101,737	–	–	101,737
Foreign currency forward contract	–	195	–	195
	101,737	7,184	–	108,921

22. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Fair value measurement recognised in the condensed consolidated statement of financial position (Continued)

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *HK$'000*	Significant observable inputs (Level 2) (Audited) *HK$'000*	Significant unobservable inputs (Level 3) (Audited) *HK$'000*	Total (Audited) *HK$'000*
Available-for-sale investments	–	11,789	–	11,789
Listed equity investments	55,991	–	–	55,991
	55,991	11,789	–	67,780

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

23. CONTINGENT LIABILITIES

Since 2016, 冠彰電器(深圳)有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd, or "Guan Zhang"), a subsidiary of the Group, has been a defendant in a lawsuit brought by a third party (the "Plaintiff"), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest and Guan Zhang in the Shen Zhen Baoan District People's Court. Bank balance amounting to HK$4,171,000 was restricted as to use as a result of a freezing injunction by the court. Such injunction was released in 2017 as the Group won the lawsuit.

Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in another PRC court. After consultation with the external legal counsel, management of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group during the period under review included the provision of financial printing, digital printing and other related services ("Commercial Printing Segment"), sales of hangtags, labels, shirt paper boards and plastic bags ("Hangtag Segment"), distribution and sales of motor vehicle parts ("Motor Vehicle Parts Segment"), provision of securities brokerage services and margin financing ("Financial Services Segment"), trading of electronic products and computer components ("Trading Segment"), property investment ("Property Investment Segment"), and sourcing, dismantling and trading of scrap materials ("Environmental Protection Segment").

FINANCIAL REVIEW

Overview

During the period under review, the Group recorded a total revenue of approximately HK$220.3 million, representing a slight increase of approximately 1.9% as compared to that of the last corresponding period of approximately HK$216.2 million. The Group recorded a profit of approximately HK$347.2 million for the six months ended 30 June 2018, representing a significant increase by 298.6%, as compared to profit of approximately of HK$87.1 million for the six months ended 30 June 2017.

Revenue of the Group was increased slightly by 1.9%, which was mainly due to increase in revenue of Motor Vehicle Parts Segment and Commercial Printing Segment by HK$27.1 million and HK$6.0 million respectively while the effect was substantially offset by decrease in revenue of Environmental Protection Segment by HK$28.1 million. Revenue arising from Financial Services Segment and Property Investment Segment during the reporting period were approximately HK$5.0 million and HK$9.8 million respectively, which were relatively stable as compared to that of last corresponding period. Subsequent to the Group tightened its credit control policy and put more effort in recovering overdue trade receivables in 2017, the Group resume its sales of motor vehicle parts back to normal during the period under review, as a result, Motor Vehicle Parts Segment recorded an increase in revenue by approximately 140.4% to HK$46.4 million.

An increase in profit attributable to the owners of the Company was noted during the period under review. The increase in profit by approximately HK$260.1 million was primarily attributable to fair value gains on investment properties of approximately HK$455.5 million (For the six months ended 30 June 2017: HK$144.1 million) as a result of the Group's broadened portfolio of investment properties, which were enhanced through acquisition of Realord Investment Limited ("Realord Investment") through acquisition of Realord Ventures Limited ("Realord Ventures") and Manureen Ventures Limited ("Manureen Ventures") in April 2018 and exchange gain, net of HK$182.1 million (For the six months ended 30 June 2017: exchange loss, net of HK$3.2 million) recognised during the period under review. The profit was partly offset by the corresponding deferred tax imposed on the fair value gains of approximately HK$155.9 million (For the six months ended 30 June 2017: HK$41.6 million) as well as the finance costs of approximately HK$162.7 million (For the six months ended 30 June 2017: HK$13.5 million). The increase in finance costs was mainly due to the increase in bank borrowings and drawn down of promissory notes in order to satisfy the consideration of acquisition of Realord Ventures and Manureen Ventures.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Financial review

Commercial Printing Segment

The Commercial Printing Segment contributed a revenue of approximately HK$44.9 million, representing 20.4% of the Group's total revenue during the period under review. There was an increase in revenue by 15.4% to approximately HK$44.9 million as compared to approximately HK$38.9 million in the last corresponding period. However, due to the increase in the operation cost, the segment merely generated an operating profit of approximately HK$2.1 million for the reporting period as compared to the operating profit of approximately HK$0.4 million for the last corresponding period.

Motor Vehicle Parts Segment

The Motor Vehicle Parts Segment generated a revenue of approximately HK$46.4 million during the period under review, representing 21.1% of the total revenue of the Group. This segment recorded an increase in revenue by 140.4% to approximately HK$46.4 million as compared to approximately HK$19.3 million in the last corresponding period. The segment derived a profit of approximately HK$0.1 million during the period under review as well as in the last corresponding period.

Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK$5.0 million, representing 2.3% of the total revenue of the Group during the period under review. The revenue from this segment remained stable as compared to approximately HK$5.4 million in the last corresponding period. The segment recorded an operating profit of approximately HK$0.4 million for the reporting period as compared to approximately HK$1.9 million in the last corresponding period.

Hangtag Segment

The Hangtag Segment generated a revenue of approximately HK$0.5 million, representing 0.2% of the Group's total revenue. The segment revenue decreased by 68.8% from the last corresponding period of approximately HK$1.6 million to approximately HK$0.5 million for the period under review. The operating loss derived from this segment was minimal during the period under review and the last corresponding period.

Environmental Protection Segment

The Environmental Protection Segment contributed a revenue of approximately HK$113.8 million, representing 51.6% of the Group's total revenue during the period under review. The revenue from this segment dropped by approximately 19.8% to approximately HK$113.8 million as compared to that of the last corresponding period. The segment recorded an operating profit of approximately HK$11.1 million for the reporting period as compared to approximately HK$8.0 million in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Financial review (Continued)

Property Investment Segment

The Property Investment Segment generated a revenue of approximately HK$9.8 million, representing 4.4% of the total revenue of the Group. The revenue from this segment slightly increased by 7.7% to approximately HK$9.8 million as compared to approximately HK$9.1 million in the last corresponding period. The operating profit from this segment increased substantially from approximately HK$150.8 million in the last corresponding period to approximately HK$353.7 million during the period under review. The increase was mainly due to the increased fair value gains on investment properties recorded during the period under review amounted to approximately HK$455.5 million (For the six months ended 30 June 2017: HK$144.1 million).

Others

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a gain on disposal of approximately HK$2.3 million and fair value gain of approximately HK$40.0 million during the reporting period. As at 30 June 2018, the financial assets at fair value through profit or loss amounted to approximately HK$108.9 million.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. During the period under review, the Group was financially sound with healthy cash position. The Group's bank balances and cash amounted to approximately HK$218.1 million as at 30 June 2018 (31 December 2017: HK$61.5 million). Its gearing ratio as at 30 June 2018 was 290.0% (31 December 2017: 59.2%), based on the interest-bearing borrowings of approximately HK$7,150.2 million (31 December 2017: HK$634.2 million) and the equity attributable to owners of the Company of approximately HK$2,465.3 million (31 December 2017: HK$1,070.4 million).

The Board believes that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to meet the present working capital requirement of the Group.

Foreign Exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi while the Group held cash of approximately RMB55.1 million reserved for operating and treasury purpose as at 30 June 2018.

For the six months ended 30 June 2018, the Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group used foreign currency forward contract for hedging purpose as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Financial guarantees and charges on assets

As at 30 June 2018, corporate guarantees amounting to approximately HK$4,722.4 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain investment properties and leasehold land and buildings owned by the Group with a total revalued value of approximately HK$8,131.3 million and HK$47.4 million respectively.

As at 31 December 2017, corporate guarantees amounting to approximately HK$230.0 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain investment properties and leasehold land and buildings owned by the Group with a total revalued value of approximately HK$440.8 million and HK$72.2 million respectively.

THE BUSINESS REVIEW AND OUTLOOK

Set out below is the business review and outlook of each segment of the Group's business:

Commercial Printing Segment

Later in December 2017, amendments to the listing requirements with respect to listing requirements for the new listing applicants of the Main Board and the Growth Enterprise Market were announced by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Directors consider that such amendments have served to clarify the expected standards of the Stock Exchange in respect of the financial requirements of the new listing applicants, and thus settled the worries of the Group as to the market conjectures about a more stringent regime to be implemented by the Stock Exchange. However, it is expected the severe competition continue in the industry, the Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

Motor Vehicle Parts Segment

The Group is revisiting the retail sale strategy in Hong Kong for the Motor Vehicles Parts Segment and might fine tune the business focus depending on the result of Hong Kong retail operation. The Group is assessing the feasibility to set up a retail store in Guangzhou, the People's Republic of China (the "PRC") with a view to enhancing the sales and distribution network of the Motor Vehicle Parts Segment.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

THE BUSINESS REVIEW AND OUTLOOK (Continued)

Financial Services Segment

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the "Security Company") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Securities Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the "CSRC"). The application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date. In respect of the lease services in the PRC, the Group is looking for opportunity to deploy new lease operation.

Hangtag Segment

Due to the continuously low economic growth, the operating environment of the Hangtag Segment has been challenging during the period under review and the Directors foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

Environmental Protection Segment

On 5 September 2016, the Group and Fortune Victory Asia Corporation ("Fortune Victory"), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection at a maximum consideration of HK$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*) ("Tong Bao"), which is principally engaged in the business of sourcing, dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 1,750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection for the financial year ended 31 December 2017 was not less than HK$35,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2017 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2017 amounted to approximately HK$46,179,000. Accordingly, the target profit for the financial year ended 31 December 2017 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in June 2018.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

THE BUSINESS REVIEW AND OUTLOOK (Continued)

Environmental Protection Segment (Continued)

As a result of new relevant environmental protection regulations released in the PRC to impose further requirements on importing scrap materials during the period under review, the Group plans to develop a processing plant in Southeast Asia for sourcing and dismantling scrap material from the originate country of scrap material in order to enhance the Group's ability and flexibility to fulfill the new relevant environmental protection regulations. Hence, the Group will adjust the schedule to develop a processing plant for recycling and production of copper and aluminum ingots (the "PRC Processing Plant") in 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*) located in Wuzhou, Guangxi Province, the PRC, with target annual production capacity of 100,000 tonnes. The Group will examine the recent development of the environmental protection industry in the PRC, and commence the construction of the PRC Processing Plant in due course. It is expected that the construction of the PRC Processing Plant will commence in the first quarter of 2019. The Board believes that the PRC Processing Plant will become a driver for a long-term growth of the Group's business.

Property Investment Segment

After the acquisition of Guanlan Property, a commercial/apartment building, retail shops and all car parking spaces of the Realord Villas, which is a mixed residential and commercial development located on the southern side of Huangan South Road within the Guanlan High-Tech Industrial Park of Guanlan, Shenzhen, and Guangming Property, which is 2 blocks of office building located on the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park of Guangming New District, Shenzhen, the property portfolio of the Group was largely enhanced since the completion of the acquisition in April 2018. The Directors are of the view that the acquisition would substantially strengthen the Group's property investment business by creating additional stream of stable rental income and potential capital gain for the Group. It is expected that the Guanlan Property and Guangming Property will generate rental income in the second half of 2018.

Trading Segment

Same as previous financial period, the Group did not conduct any transactions under this segment during the period under review due to thin margin and foreign exchange exposure.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

THE BUSINESS REVIEW AND OUTLOOK (Continued)

Others

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for more than a year. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The Qiankeng property was acquired by the Group in June 2016 and the application for urban redevelopment of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區城市更新局 (Shenzhen Longhua District Urban Renewal Bureau) in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2018, subject to government schedules, and thereafter the redevelopment works will commence.

LITIGATION

During the period under review, Citibest and Guan Zhang, subsidiaries of the Group, are currently defendants in a lawsuit brought by a third party, 深圳市滬田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited*), alleging that Citibest and Guan Zhang are liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon. After consultation with the external legal counsel, the directors of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

CONTINGENT LIABILITIES

Saved as disclosed in the "Litigation" section, the Group had no contingent liabilities.

DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (For the six months ended 30 June 2017: Nil).

* *For identification purpose only*

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

As at 30 June 2018, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO"(Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") and which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO were as follows:

Directors' interests in shares – Long position in the Shares of the Company

	Number of Shares held					
Name of Directors	**Personal interests (held as beneficial owner)**	**Corporate interests**	**Spouse interests**	**Interest from options granted under share option scheme**	**Total interests**	**Total interests as % of the issued share capital**
Dr. Lin Xiaohui	–	1,071,000,000 *(Note 1)*	1,080,000 *(Note 3)*	1,080,000	1,073,160,000	74.86%
Madam Su Jiaohua	–	–	1,072,080,000 *(Note 2)*	1,080,000	1,073,160,000	74.86%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.07%
Mr. Yu Leung Fai	–	–	–	500,000	500,000	0.03%
Mr. Fang Jixin	–	–	–	500,000	500,000	0.03%
Dr. Li Jue	–	–	–	500,000	500,000	0.03%

Notes:

1. As at 30 June 2018, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 1,071,000,000 Shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,071,000,000 Shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,072,080,000 Shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 30 June 2018.

3. Dr. Lin Xiaohui, the spouse of Madam Su Jiaohua, was deemed to be interested in all the shares interested by his spouse under the SFO as at 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, as at 30 June 2018, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Long/ Short position	Capacity	Number of Shares/ underlying Shares held	Percentage of issued capital
Manureen Holdings Limited	Long	Beneficial owner	1,071,000,000	74.71%

Note:

As at 30 June 2018, MHL was the legal and beneficial owner of 1,071,000,000 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 30 June 2018, the directors are not aware that there is any party (not being a Director) who had any interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares.

SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, the Company had 10,010,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,010,000 additional ordinary shares of the Company and additional share capital and share premium of HK$1,001,000 and HK$40,741,600 (before issue expenses).

SHARE OPTION SCHEMES (Continued)

At the date of the interim report, the Company had 10,010,000 share options outstanding under the Scheme, which represented approximately 0.70% of the Company's shares in issue as at that date. The total number of shares of the Company available for issue under the Scheme is 63,535,311, representing approximately 4.4% of the Company's shares in issue.

Movements of the share options under the share option scheme during the period are as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2018
Directors								
Lin Xiaohui	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Su Jiaohua	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	–	–	1,080,000
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Li Jue	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
				4,660,000	–	–	–	4,660,000
Direcotors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	–	300,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	–	3,300,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	2,050,000	–	–	–	2,050,000
				2,050,000	–	–	–	2,050,000
				10,010,000	–	–	–	10,010,000

There was no participants with options granted in excess of the individual limit.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 21 to the condensed consolidated financial statements, no other directors had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has compiled all code provisions (the "Code Provisions") in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 June 2018, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2018, the Group had an available workforce of approximately 194, of which around 77 were based in the PRC. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance. The Group has established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group. The Remuneration Committee comprises 3 members, namely Dr. Li Jue, Dr. Lin Xiaohui, and Mr. Yu Leung Fai. This Committee is chaired by Dr. Li Jue.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Group has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises 3 members, whom are independent non-executive directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue. This Committee is chaired by Mr. Yu Leung Fai. The Audit Committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2018.

APPRECIATION

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 28 August 2018