



Realord

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

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

2019
Interim Report

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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

4th floor North

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

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 HM11

Bermuda

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

China Merchants Bank

United Overseas Bank Limited

Hong Kong Branch

Guangzhou Rural Commercial Bank

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 2019

	Notes	For the six months ended	
		30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Revenue			
Goods and services		392,967	206,197
Rental income		5,698	9,773
Interest		4,736	4,338
<hr/>			
Total revenue	3	403,401	220,308
Cost of sales		(302,317)	(158,840)
<hr/>			
Gross profit		101,084	61,468
Other income	5A	13,211	1,487
Other gains and losses	5B	505,092	680,302
Selling and distribution expenses		(3,980)	(5,273)
Administrative expenses		(81,007)	(71,048)
Share of result of an associate		(1,222)	–
Finance costs	6	(280,354)	(162,671)
<hr/>			
PROFIT BEFORE TAX		252,824	504,265
Income tax expense	7	(195,765)	(157,049)
<hr/>			
PROFIT FOR THE PERIOD	10	57,059	347,216
<hr/>			
Attributable to:			
Owners of the Company		44,486	343,992
Non-controlling interests		12,573	3,224
<hr/>			
		57,059	347,216
<hr/>			
Earnings per share			
– Basic (HK cents)	12	3.10	27.21
– Diluted (HK cents)	12	3.10	27.18

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	57,059	347,216
OTHER COMPREHENSIVE EXPENSE		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations		
– subsidiaries	(24,051)	(265,649)
– an associate	135	–
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	(23,916)	(265,649)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	33,143	81,567
Attributable to:		
Owners of the Company	19,949	78,297
Non-controlling interests	13,194	3,270
	33,143	81,567

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		99,620	100,521
Right-of-use assets		78,743	–
Prepaid lease payments		–	4,968
Investment properties	13	10,099,503	9,081,879
Goodwill		87,390	28,497
Other intangible asset		250,673	13,369
Investment in an associate	14	–	66,122
Equity instrument at fair value through other comprehensive income		–	31,048
Prepayments, deposits and other receivables		12,676	82,930
		10,628,605	9,409,334
CURRENT ASSETS			
Inventories		127,975	146,170
Trade receivables	15	325,861	455,015
Receivables arising from securities broking	15	101,539	99,832
Prepaid lease payments		–	114
Prepayments, deposits and other receivables		523,248	306,112
Tax recoverable		3,737	3,463
Financial assets at fair value through profit or loss	16	7,139	96,631
Cash held on behalf of clients		163,946	8,454
Bank balances and cash		986,970	896,544
		2,240,415	2,012,335
CURRENT LIABILITIES			
Trade payables	17	69,411	223,016
Payables arising from securities broking	17	172,529	19,645
Lease liabilities		40,124	–
Contract liabilities		4,511	4,832
Other payables and accruals		155,650	100,282
Bank borrowings and overdrafts	20	844,905	496,953
Amounts due to related parties	18	70,755	78,524
Tax payable		16,510	10,583
		1,374,395	933,835
NET CURRENT ASSETS		866,020	1,078,500
TOTAL ASSETS LESS CURRENT LIABILITIES		11,494,625	10,487,834

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2019

		As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
	Notes		
EQUITY			
Share capital	19	143,821	143,571
Reserves		2,314,795	2,734,877
Equity attributable to owners of the Company			
		2,458,616	2,878,448
Non-controlling interests		195,909	53,978
		2,654,525	2,932,426
NON-CURRENT LIABILITIES			
Deferred tax liabilities		569,906	377,442
Lease liabilities		34,093	–
Loans from ultimate holding company	21	812,931	821,460
Amount due to ultimate holding company	18	87,785	–
Promissory notes		–	1,492,460
Bank borrowings	20	7,335,385	4,864,046
		8,840,100	7,555,408
		11,494,625	10,487,834

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2019

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Net cash generated from (used in) operating activities	86,570	(81,772)
Investing activities		
– Net cash outflow on acquisition of assets and liabilities through acquisition of subsidiaries	(461,814)	(4,499,634)
– Net cash outflow on acquisition of subsidiaries	(74,228)	–
– Other investing cash flows	(99,254)	(70,296)
Net cash used in investing activities	(635,296)	(4,569,930)
Financing activities		
– New bank borrowings raised	3,112,589	4,911,355
– Repayment of bank and other borrowings	(285,420)	(250,981)
– Repayment of promissory notes	(1,937,009)	–
– Loans from ultimate holding company, net	(1,360)	243,804
– Other financing cash flows	(242,741)	(111,438)
Net cash generated from financing activities	646,059	4,792,740
Net increase in cash and cash equivalents	97,333	141,038
Cash and cash equivalents at 1 January	876,544	46,632
Effect of foreign exchange rate changes	(6,907)	29,350
Cash and cash equivalents at 30 June, represented by	966,970	217,020
Bank balances and cash	986,970	218,101
Bank overdrafts	(20,000)	(1,081)
	966,970	217,020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Shares to be issued HK\$'000	Share options reserve HK\$'000	Statutory reserve HK\$'000	Capital 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 2018 (Audited)	115,075	594,347	20,441	19,319	1,900	-	30,017	15,797	260,957	1,057,853	33,114	1,090,967
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
Acquisition of assets through acquisition of subsidiaries	28,100	1,295,402	-	-	-	586,594	-	-	-	1,910,096	-	1,910,096
Issue of shares (note 19)	175	8,768	(8,943)	-	-	-	-	-	-	-	-	-
At 30 June 2018 (Unaudited)	143,350	1,898,517	11,498	19,319	1,900	586,594	30,017	(249,898)	604,949	3,046,246	36,384	3,082,630
At 1 January 2019 (Audited)	143,571	1,907,379	11,498	15,054	2,949	586,594	30,650	(446,702)	627,455	2,878,448	53,978	2,932,426
Profit for the year	-	-	-	-	-	-	-	-	44,486	44,486	12,573	57,059
Other comprehensive income for the period:												
Exchange differences arising on translation of foreign operations												
- subsidiaries	-	-	-	-	-	-	-	(24,672)	-	(24,672)	621	(24,051)
- an associate	-	-	-	-	-	-	-	135	-	135	-	135
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	(24,537)	44,486	19,949	13,194	33,143
Redemption of promissory notes	-	-	-	-	-	(439,781)	-	-	-	(439,781)	-	(439,781)
Acquisition of subsidiaries (note 8(a))	-	-	-	-	-	-	-	-	-	-	19,971	19,971
Step-up acquisition of an associate and become a subsidiary (note 8(b))	-	-	-	-	-	-	-	(78)	78	-	106,177	106,177
Issue of shares (note 19)	250	11,248	(11,498)	-	-	-	-	-	-	-	-	-
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	2,589	2,589
At 30 June 2019 (Unaudited)	143,821	1,918,627	-	15,054	2,949	146,813	30,650	(471,317)	672,019	2,458,616	195,909	2,654,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements.

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office equipment and plant and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases are recognised as expense on a straight-line basis over the lease term.

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 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

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

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 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property and presented within “investment properties”.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;

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 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

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 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are amounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

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 16 Leases (Continued)

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$66,086,000 and right-of-use assets of HK\$66,086,000 at 1 January 2019 by applying HKFRS 16.

The Group reclassified prepaid lease payments of HK\$5,082,000 to right-of-use assets at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 2.38%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	68,702
Lease liabilities discounted at relevant incremental borrowing rates	66,165
Less: Recognition exemption – short-term leases	(79)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	66,086
Analysed as	
Current	22,402
Non-current	43,684
	66,086

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 16 Leases (Continued)

2.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 (Continued)*

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		66,086
Reclassified from prepaid lease payments	(a)	5,082
		<u>71,168</u>
By class:		
Leased premises		66,086
Leasehold land		5,082
		<u>71,168</u>

- (a) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to HK\$4,968,000 and HK\$114,000 respectively were reclassified to right-of-use assets.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits paid and right-of-use assets as the management considers the impact as not material.
- (c) Lease payments increase progressively over lease terms

These relate to accrued lease liabilities of several operating leases for leases of properties in which the rentals increase progressively by fixed annual percentage. The carrying amount of the accrued lease liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

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 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following table summarise the impacts of applying HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 January 2019 for each of the line items affected. Line items that were not affected have not been included.

		Carrying amount previously reported at 31 December 2018	Adjustment	Reclassification	Carrying amount under HKFRS 16 at 1 January 2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Right-of-use assets		-	66,086	5,082	71,168
Prepaid lease payments	(a)	4,968	-	(4,968)	-
Current assets					
Prepaid lease payments	(a)	114	-	(114)	-
Current liabilities					
Lease liabilities		-	22,402	-	22,402
Non-current liabilities					
Lease liabilities		-	43,684	-	43,684

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. No adjustment was made on refundable rental deposits received and advance lease payments as the management considers the impact is not material.

3. REVENUE

The Group recognises revenue from the following major sources:

- (i) Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon delivery;
- (ii) Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon delivery;
- (iii) Revenue from sale of other goods including hangtags, labels, shirt paper boards and plastic bags are recognised at a point in time when the customer obtains control of the distinct goods;
- (iv) Revenue from rendering of financial printing, digital printing and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs;
- (v) Revenue from commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients; and
- (vi) Revenue from rendering of corporate finance advisory, asset management and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs.

3. REVENUE (Continued)**Disaggregation of revenue by the type of goods and services****For the period ended 30 June 2019 (Unaudited)**

Type of goods and services	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Sales of goods							
– Motor vehicle parts	-	-	50,710	-	-	-	50,710
– Scrap materials	-	-	-	-	-	292,088	292,088
– Hangtags, labels, shirt paper boards and plastic bags	-	238	-	-	-	-	238
	-	238	50,710	-	-	292,088	343,036
Rendering of services							
– Provision of services	40,664	-	-	9,054	-	-	49,718
– Commission income from securities broking	-	-	-	213	-	-	213
Revenue from contracts with customers	40,664	238	50,710	9,267	-	292,088	392,967
Revenue from gross rental income	-	-	-	-	5,698	-	5,698
Revenue from interest income from margin financing	-	-	-	4,736	-	-	4,736
Total	40,664	238	50,710	14,003	5,698	292,088	403,401
Timing of revenue recognition							
A point in time	-	238	50,710	4,949	5,698	292,088	353,683
Over time	40,664	-	-	9,054	-	-	49,718
Total	40,664	238	50,710	14,003	5,698	292,088	403,401

3. REVENUE (Continued)**Disaggregation of revenue by the type of goods and services (Continued)****For the period ended 30 June 2018 (Unaudited)**

Type of goods and services	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Sales of goods							
– Motor vehicle parts	–	–	46,447	–	–	–	46,447
– Scrap materials	–	–	–	–	–	113,775	113,775
– Hangtags, labels, shirt paper boards and plastic bags	–	498	–	–	–	–	498
	–	498	46,447	–	–	113,775	160,720
Rendering of services							
– Provision of services	44,855	–	–	–	–	–	44,855
– Commission income from securities broking	–	–	–	622	–	–	622
Revenue from contracts with customers	44,855	498	46,447	622	–	113,775	206,197
Revenue from gross rental income	–	–	–	–	9,773	–	9,773
Revenue from interest income from margin financing	–	–	–	4,338	–	–	4,338
Total	44,855	498	46,447	4,960	9,773	113,775	220,308
Timing of revenue recognition							
A point in time	–	498	46,447	4,960	9,773	113,775	175,453
Over time	44,855	–	–	–	–	–	44,855
Total	44,855	498	46,447	4,960	9,773	113,775	220,308

4. 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 six operating 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 sale of motor vehicle parts ("Motor Vehicle Parts Segment");
- (d) provision of corporate finance advisory, asset management, securities brokerage services and margin financing ("Financial Services Segment");
- (e) property investment ("Property Investment Segment"); and
- (f) dismantling and trading of scrap materials ("Environmental Protection Segment").

Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income, certain other income, unrealised fair value gain/loss on financial assets at FVTPL, realised gain/loss on disposal of financial assets at FVTPL, net foreign exchange gain/loss, revaluation gain/deficit on property, plant and equipment, corporate expenses and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment liabilities exclude certain bank borrowings and overdrafts, tax payable, deferred tax liabilities, loans from ultimate holding company 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 rates.

4. SEGMENT INFORMATION (Continued)**Segment revenues and results**

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

Six months ended 30 June 2019 (Unaudited)

	Commercial printing <i>HK\$'000</i>	Hangtag <i>HK\$'000</i>	Motor vehicle parts <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue							
Sales to external customers	40,664	238	50,710	14,003	5,698	292,088	403,401
Intersegment sales	403	-	-	6	-	-	409
	41,067	238	50,710	14,009	5,698	292,088	403,810
Elimination of intersegment sales							(409)
Revenue							403,401
Segment results	705	(64)	5,425	1,330	304,635	42,918	354,949
Bank interest income							9,789
Other income							2,591
Net foreign exchange gain							33,531
Revaluation surplus on property, plant and equipment							927
Realised loss on disposal of financial assets at FVTPL							(82,491)
Corporate expenses							(27,633)
Finance costs							(38,839)
Profit before tax							252,824

4. SEGMENT INFORMATION (Continued)**Segment revenues and results (Continued)****Six months ended 30 June 2018 (Unaudited)**

	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Segment revenue							
Sales to external customers	44,855	498	46,447	4,960	9,773	113,775	220,308
Intersegment sales	687	-	-	4	-	-	691
	45,542	498	46,447	4,964	9,773	113,775	220,999
Elimination of intersegment sales							(691)
Revenue							220,308
Segment results	2,094	(116)	76	412	353,660	11,147	367,273
Bank interest income							383
Other income							696
Net foreign exchange gain							181,179
Unrealised fair value gain on financial assets at FVTPL							40,043
Revaluation deficit on property, plant and equipment							(2,371)
Realised gain on disposal of financial assets at FVTPL							2,292
Corporate expenses							(24,002)
Finance costs							(61,228)
Profit before tax							504,265

4. SEGMENT INFORMATION (Continued)**Segment assets and liabilities****At 30 June 2019 (Unaudited)**

	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Segment assets	48,780	485	152,679	406,712	10,532,537	443,591	11,584,784
Corporate and unallocated assets							1,284,236
Total assets							12,869,020
Segment liabilities	52,917	279	10,314	198,413	5,129,022	132,196	5,523,141
Corporate and unallocated liabilities							4,691,354
Total liabilities							10,214,495

At 31 December 2018 (Audited)

	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Segment assets	15,044	692	170,866	134,080	9,241,176	596,151	10,158,009
Corporate and unallocated assets							1,263,660
Total assets							11,421,669
Segment liabilities	18,543	358	7,260	20,204	4,667,956	313,938	5,028,259
Corporate and unallocated liabilities							3,460,984
Total liabilities							8,489,243

5A. OTHER INCOME

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Bank interest income	9,789	383
Finance lease interest income	–	344
Others	3,422	760
	13,211	1,487

5B. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Fair value gain on investment properties	546,923	455,454
Revaluation surplus/(deficit) on property, plant and equipment	927	(2,371)
Realised (loss)/gain on disposal of financial assets at FVTPL	(82,491)	2,292
Fair value gain on financial assets at FVTPL	–	40,043
Exchange gain, net	36,786	182,077
Reversal of allowance for impairment	2,947	2,807
	505,092	680,302

6. FINANCE COSTS

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	215,240	94,426
Interest on loans from ultimate holding company	23,861	17,012
Interest on promissory notes	40,375	51,233
Others	878	–
	280,354	162,671

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Current tax – Hong Kong	5,015	2,893
Current tax – Mainland China	1,797	(1,759)
Deferred tax	188,953	155,915
	195,765	157,049

8. BUSINESS COMBINATION**(a) Optima Capital Limited**

On 30 April 2019, the Group completed an acquisition of 60% equity interest in Optima Capital Limited ("Optima Capital") from vendors, comprised of Ms Leung Mei Han, being a spouse of a director of a subsidiary of the Company and two independent third parties, for total consideration of HK\$96,000,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK\$58,893,000. The principal activities of Optima Capital are provision of corporate finance advisory services in Hong Kong. Details of which are set out in the Group's announcement dated 27 December 2018.

8. BUSINESS COMBINATION (Continued)
(a) Optima Capital Limited (Continued)

Consideration transferred

	(Unaudited) HK\$'000
Cash	48,000
Deferred consideration (<i>note</i>)	40,849
	<hr/> 88,849

Note: Based on the acquisition agreement dated 27 December 2018, the deferred consideration will be paid on the third anniversary of the completion date of the acquisition. The fair value of the deferred consideration approximates to HK\$40,849,000 as at the acquisition date.

The provisional fair values of the identifiable assets and liabilities of Optima Capital as at the acquisition date were as follows:

	(Unaudited) HK\$'000
Properties, plant and equipment	1,325
Right-of-use assets	16,915
Other intangible assets (<i>note i</i>)	32,815
Trade receivables	7,540
Prepayment	1,845
Cash and cash equivalents	13,616
Other payable and accruals	(581)
Contract liabilities	(92)
Lease liabilities	(16,946)
Tax payable	(1,095)
Deferred tax liabilities	(5,415)
	<hr/> 49,927

8. BUSINESS COMBINATION (Continued)
(a) Optima Capital Limited (Continued)

Goodwill arising on acquisition:

	(Unaudited) HK\$'000
Consideration transferred	88,849
Plus: non-controlling interest (note ii)	19,971
Less: fair value of net assets acquired	(49,927)
	<hr/>
Goodwill arising on acquisition	58,893
	<hr/> <hr/>

	(Unaudited) HK\$'000
Net cash outflow in respect of the above acquisition:	
– Bank balances and cash acquired	13,616
– Cash consideration paid	(48,000)
	<hr/>
	(34,384)
	<hr/> <hr/>

Notes:

- (i) The initial accounting for the acquisition has been determined provisionally for other intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.
- (ii) The non-controlling interests were initially measured at the non-controlling interests' proportionate share of the provisional fair value of identifiable net assets acquired at the date of acquisition.

8. BUSINESS COMBINATION (Continued)**(b) 深圳市友盛地產有限公司 (“友盛地產”)**

友盛地產 is the Group's associate as at 31 December 2018 of which the Group held 49% equity interest. On 22 April 2019, the Group acquired additional 2% equity interest in 友盛地產 at a consideration of approximately HK\$45,475,000. Since the step acquisition, the Group held 51% of equity interest in 友盛地產 which became a subsidiary of the Group. The principal activity of 友盛地產 is property redevelopment.

Consideration transferred

	(Unaudited) HK\$'000
Fair value of equity interest in an associate held at the acquisition date	65,035
Cash	45,475
	<hr/> 110,510 <hr/>

The provisional fair values of the identifiable assets and liabilities of 友盛地產 as at the acquisition date were as follows:

	(Unaudited) HK\$'000
Properties, plant and equipment	127
Other intangible assets (note i)	204,489
Prepayments	28,632
Deposits and other receivables	171
Cash and cash equivalents	5,631
Other payable and accruals	(22,363)
	<hr/> Total identifiable net assets at fair value <hr/> 216,687 <hr/>

	(Unaudited) HK\$'000
Consideration transferred	110,510
Non-controlling interest (note ii)	106,177
	<hr/> 216,687 <hr/>

	(Unaudited) HK\$'000
Net cash outflow in respect of the above acquisition:	
– Bank balances and cash acquired	5,631
– Cash consideration paid	(45,475)
	<hr/> (39,844) <hr/>

8. BUSINESS COMBINATION (Continued)**(b) 深圳市友盛地產有限公司 (“友盛地產”)(Continued)**

Notes:

- (i) The initial accounting for the acquisition has been determined provisionally for other intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.
- (ii) The non-controlling interests were initially measured at the non-controlling interests' proportionate share of the provisional fair value of identifiable net assets acquired at the date of acquisition.

9. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 27 March 2019, the Group acquired a 100% equity interest in Bright Success Inc. and its subsidiary (“Bright Success Group”), from an independent third party at a cash consideration of HK\$513,114,000. Bright Success Group is engaged in property investment business. The acquisition was accounted for as purchases of assets rather than as business combination because Bright Success Group did not carried out any business transactions prior to the date of acquisition.

The assets acquired at the date of completion date were as follows:

Consideration satisfied by:

	(Unaudited) HK\$'000
Cash	461,814
Prepayment	51,300
	<hr/> 513,114 <hr/>
	(Unaudited) HK\$'000
Investment property (note 13)	513,000
Deposits and prepayments	114
Shareholder's loan	(470,220)
	<hr/> 42,894 <hr/>
Settlement of a shareholder's loan	470,220
	<hr/> 513,114 <hr/>
	(Unaudited) HK\$'000
Net cash outflow of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	461,814
	<hr/> <hr/>

10. PROFIT FOR THE PERIOD

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

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	6,555	4,631
Depreciation of right-of-use assets	12,930	–
Amortisation of prepaid lease payments	–	61
Direct operating expenses (including repairs and maintenance):		
Arising from rental-earning investment properties	812	4,030
Employee benefit expense (including directors' emoluments)	44,393	35,624
Minimum lease payments under operating leases	801	11,976

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2019 (2018: Nil), nor has any dividend been proposed since the end of both reporting periods.

12. EARNINGS PER SHARE

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

	Six months ended 30 June 2019 (Unaudited) HK\$'000	Six months ended 30 June 2018 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose(s) of basic and diluted earnings per share calculation (Profit for the period attributable to owners of the Company)	44,486	343,992

12. EARNINGS PER SHARE (Continued)

	Number of shares	
	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,435,999,935	1,264,304,653
Effect of dilutive potential ordinary shares:		
Share options	1,313,506	1,502,364
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	1,437,313,441	1,265,807,017

13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 January 2018 (Audited)	1,344,575
Additions	75
Acquisition of assets through acquisition of subsidiaries	7,779,709
Net gain on fair value recognised in profit or loss	671,422
Exchange realignment	(713,902)
At 31 December 2018 and at 1 January 2019 (Audited)	9,081,879
Additions	39
Acquisition of assets through acquisition of subsidiaries (<i>note 9</i>)	513,000
Net gain on fair value recognised in profit or loss	546,923
Exchange realignment	(42,338)
At 30 June 2019 (Unaudited)	10,099,503

At 30 June 2019, the Group's investment properties with a carrying value of approximately HK\$8,997,158,000 (31 December 2018: HK\$8,244,439,000) were pledged to secure general banking facilities granted to the Group.

14. INVESTMENT IN AN ASSOCIATE

	<i>HK\$'000</i>
At 31 December 2018 and at 1 January 2019 (Audited)	66,122
Share of loss and other comprehensive income	(1,087)
Deemed disposal of an associate through step-up acquisition of a subsidiary (note 8(b))	(65,035)
<hr/>	
At 30 June 2019 (Unaudited)	–

15. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade receivables, goods and services	333,909	465,402
Less: Allowance for credit loss	(8,048)	(10,387)
	325,861	455,015
<hr/>		
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts receivable	9,051	10,774
Loans to margin clients	95,241	91,707
Less: Allowance for credit loss	(2,753)	(2,649)
	101,539	99,832
<hr/>		
Total trade receivables and receivables arising from securities broking	427,400	554,847

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 quality.

15. 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 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Current to 30 days	52,548	261,782
31 to 60 days	21,973	82,485
61 to 90 days	39,948	44,651
Over 90 days	211,392	66,097
	325,861	455,015
Cash clients accounts receivable	9,051	10,774
Loans to margin clients [#]	92,488	89,058
	427,400	554,847

[#] The loans to margin clients are secured by the underlying pledged securities of clients, 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, the aging analysis does not give additional value in view of the nature of the cash clients account receivable arising from securities broking and the revolving margin loans.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Financial assets mandatorily measured at FVTPL:		
– Club and school debentures	7,139	7,139
– Equity investments, listed in Hong Kong	–	89,492
	7,139	96,631

17. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Trade payables	69,411	223,016
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients accounts payable	172,529	19,645
Total trade payables and payables arising from securities broking	241,940	242,661

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 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Current to 30 days	3,256	190,522
31 to 60 days	3,810	20,851
61 to 90 days	9,447	5,645
Over 90 days	52,898	5,998
	69,411	223,016

17. 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\$163,946,000 (31 December 2018: HK\$8,454,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 30 June 2019, the cash clients accounts payable included an amount of HK\$14,564,000 (31 December 2018: HK\$509,000) in respect of certain directors' and their controlled companies' 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.

18. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/RELATED PARTIES

Amount due to ultimate holding company is unsecured, interest-free and no fixed terms of repayment.

Amounts due to related parties are unsecured, interest-free and repayable on demand and serves as working capital for operating purpose. The related parties are (i) the non-controlling shareholders of subsidiaries of the Company, who has significant influence over these subsidiaries and (ii) certain companies controlled by the ultimate shareholder of the Company.

19. SHARE CAPITAL

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (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:		
1,438,209,880 (31 December 2018: 1,435,709,880) ordinary shares of HK\$0.10 each	143,821	143,571

19. 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 2018 (Audited)	1,150,751,398	115,075
Issue of shares (Note a)	284,958,482	28,496
At 31 December 2018 and at 1 January 2019 (Audited)	1,435,709,880	143,571
Issue of shares (Note b)	2,500,000	250
At 30 June 2019 (Unaudited)	1,438,209,880	143,821

Note:

- (a) On 19 April 2018, the Company issued 280,998,482 shares at HK\$4.71 per share, as part of consideration, amounted to HK\$1,323,502,000, to acquire assets through acquisition of subsidiaries, details of which are set out in the Group's annual financial statements for the year ended 31 December 2018. The new shares rank pari passu with existing shares in all respects.

On 8 June 2018, the Company issued 1,750,000 shares at HK\$5.11 per share, 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 2018. The new shares rank pari passu with existing shares in all respects.

On 5 October 2018, the Company issued 2,210,000 shares due to the exercise of share options by the option holders. The new shares rank pari passu with existing shares in all respects.

- (b) On 10 June 2019, the Company issued 2,500,000 shares for a consideration of HK\$11,498,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016. The new shares rank pari passu with existing shares in all respects.

20. BANK BORROWINGS AND OVERDRAFTS

	As at 30 June 2019			As at 31 December 2018		
	Effective interest rate (%)	Maturity	(Unaudited) HK\$'000	Effective interest rate (%)	Maturity	(Audited) HK\$'000
Bank loans – secured	Hong Kong Interbank Offered Rate (“HIBOR”) +1.25% to 7% p.a.	Within 1 year or on demand	392,603	Hong Kong Interbank Offered Rate (“HIBOR”) +1.25% to 1.5% p.a.	Within 1 year or on demand	268,427
Bank loans – secured	Fixed at 5.62% p.a. to 5.9% p.a.	Within a period of not exceeding 5 years	4,188,219	Fixed at 5.62% p.a. to 5.9% p.a.	Within a period of not exceeding 5 years	4,194,176
Bank loans – secured	Fixed at 5.66% p.a. to 7.6% p.a.	Within 1 year	184,350	Fixed at 5.66% p.a. to 7.6% p.a.	Within 1 year	192,596
Bank overdrafts – secured	HIBOR +1.5% p.a.	On demand	20,000	HIBOR +1.5% p.a.	On demand	20,000
Bank loans – unsecured	Fixed at 5.7% p.a.	Within a period of not exceeding 5 years	3,395,118	Fixed at 5.7% p.a.	Within a period of not exceeding 5 years	685,800
			8,180,290			5,360,999

20. BANK BORROWINGS AND OVERDRAFTS (Continued)

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Current portion	844,905	496,953
Non-current portion	7,335,385	4,864,046
	8,180,290	5,360,999

Notes:

- (a) The Group's banking facilities amounted to HK\$8,949,441,000 (31 December 2018: HK\$5,493,286,000), of which HK\$8,180,290,000 (31 December 2018: HK\$5,360,999,000) had been utilised as at the end of the reporting period.
- (b) Certain of the Group's bank borrowing and overdraft were secured by the Company's guarantee of up to HK\$8,809,200,000 (31 December 2018: HK\$2,514,600,000) and a mortgage over the Group's investment properties, which had a carrying value at the end of the reporting period of HK\$8,997,158,000 (31 December 2018: HK\$8,244,439,000) and mortgages over the Group's leasehold land and buildings with a carrying value at the end of the reporting period of HK\$66,466,000 (31 December 2018: HK\$68,242,000).
- (c) Certain of the Group's bank borrowings and overdraft were secured by the guarantee of the shareholder of a subsidiary of the Company of up to HK\$21,042,000 (31 December 2018: HK\$20,574,000) and a guarantee of the controlling shareholders of the Group of up to HK\$8,651,700,000 (31 December 2018: HK\$2,514,600,000).
- (d) Except for the bank loans of HK\$7,767,687,000 which is denominated in RMB, all bank borrowings are denominated in Hong Kong dollars (31 December 2018: Except for the bank loans of HK\$5,072,572,000 which is denominated in RMB, all bank borrowings are denominated in Hong Kong dollars).

21. 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 2021.

22. CAPITAL COMMITMENTS

	As at 30 June 2019 (Unaudited) HK\$'000	As at 31 December 2018 (Audited) HK\$'000
Contracted for but not provided:		
Acquisition of 60% equity investment	–	76,000
Capital injection in a joint venture engaged in securities brokerage business	398,088	400,050
Leasehold improvement	–	182

23. 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 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Interest income on finance lease receivables from a related company	–	344
Interest expense on loans from ultimate holding company	23,861	17,012
Interest expense on promissory notes	40,375	51,233
Rental expense paid to directors and substantial shareholders	110	132
Rental expense paid to a non-controlling shareholder of a subsidiary	643	–
Purchases from a non-controlling shareholder of a subsidiary	1,420	–

23. RELATED PARTY TRANSACTIONS (Continued)

- (b) Other transactions with related parties:
- (i) During the six months ended 30 June 2019, the Group received loans from ultimate holding company of HK\$1,908,326,000 (six months ended 30 June 2018: HK\$426,186,000). The details of the loans are included in note 21.
- (ii) As at 30 June 2019, certain of the Group's bank borrowings and overdraft were secured by a guarantee of the shareholder of a subsidiary of the Group of up to HK\$21,042,000 (31 December 2018: HK\$20,574,000) and the personal guarantee of Dr. Lin and Madam Su, the ultimate shareholders of the Group of up to HK\$8,651,700,000 (31 December 2018: HK\$2,514,600,000).
- (iii) During the six months ended 30 June 2018, the Group entered into an acquisition agreement with Dr. Lin and Madam Su to acquire the entire equity interests in Realord Ventures Limited and Manureen Ventures Limited at a total consideration of approximately RMB5,854,995,000.
- (iv) During the six months ended 30 June 2019, the Group obtained unsecured banking facilities of RMB3,000,000,000 at 5.7% per annum and would be fully repayable on 30 January 2024. Such unsecured banking facilities were supported by the corporate guarantees of the Company and certain PRC subsidiaries of the Group as well as the personal guarantees of Dr. Lin and Madam Su, the ultimate shareholders of the Group. The unsecured banking facilities would mainly be used for repayment of the outstanding promissory notes and the loans from ultimate holding company. At 30 June 2019, the Group has drawn down RMB2,400,000,000 and repaid the full amount of promissory notes of RMB1,657,864,000 (equivalent to approximately HK\$1,937,000,000) and certain loans from ultimate holding company of RMB742,136,000 (equivalent to approximately HK\$867,090,000).
- (v) On 15 May 2019, Realord Environmental Protection Japan Co., Ltd. ("Realord Japan") and Tsugawa Metal Co., Ltd. ("Tsugawa") entered into a lease agreement, pursuant to which Realord Japan has agreed to lease from Tsugawa the land and the fixed assets for JPY5,000,000 in aggregate per month from 15 May 2019 to 14 May 2020. The rental expenses of HK\$643,000 had been recognized during the current interim period.
- (vi) On 21 March 2019, 3 April 2019 and 17 April 2019, Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") and Tsugawa entered into three procurement contracts, pursuant to which Realord Environmental Protection has agreed to purchase waste copper wires with total consideration of JPY27,000,000 (equivalent to approximately HK\$2,023,000). On 17 April 2019, Realord Japan and Tsugawa entered into a procurement contract, pursuant to which Realord Japan has agreed to purchase cells with a consideration of JPY33,966,000 (equivalent to approximately HK\$2,544,000). During the current interim period, the purchases of HK\$1,420,000 had been recognised.
- (c) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2019 (Unaudited) HK\$'000	30 June 2018 (Unaudited) HK\$'000
Short term employee benefits	5,009	5,306
Post-employment benefits	27	27
	5,036	5,333

24. FINANCIAL INSTRUMENTS BY CATEGORY**Fair value measurement recognised in the condensed consolidated statement of financial position**

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 – fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000		
1) Equity investments, listed in Hong Kong	N/A	89,492	Level 1	Quoted bid prices in an active market
2) Club and school debentures	7,139	7,139	Level 2	Estimated transaction prices

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

During the period ended 30 June 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: nil).

25. CONTINGENT LIABILITIES

- (a) 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 A”), 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 A, Citibest and Guan Zhang in the Shen Zhen Baoan District People’s Court. Bank balance amounted 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 A has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People’s Court. On 4 December 2018, the court rejected all the claims from the Plaintiff A. Thereafter, the Plaintiff A further brought the appeal to Shenzhen Intermediate People’s Court, no additional evidences were provided by the Plaintiff A to the court up to the reporting date. After consultation with the external legal counsel and in view of all the facts and circumstances, management of the Group considers that the economic outflows caused by the above case are not possible. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.
- (b) Since 2016, Citibest and Guan Zhang, subsidiaries of the Group, had been a defendants in a lawsuit brought by a third party (the “Plaintiff B”), alleging that Citibest and Guan Zhang are liable to settle the outstanding agency fee of RMB32 million and interest accrued thereon. The claim of the Plaintiff B was rejected by the Shenzhen Intermediate People’s Court in 2017. During the current period, the Plaintiff B has applied for retrial at the Guangdong High People’s Court. The directors, after consulting the external legal counsel and in the view of all the facts and circumstances, 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 (“MVP Segment”), provision of corporate finance advisory, asset management, securities brokerage services and margin financing (“Financial Services Segment”), property investment (“Property Investment Segment”), and dismantling and trading of scrap materials (“EP Segment”).

Overall financial review

During the six months ended 30 June 2019 (the “1H2019”), the Group recorded a total revenue of approximately HK\$403.4 million, which was mainly contributed by the EP Segment, the MVP Segment and the Commercial Printing Segment. The EP Segment contributed approximately 72.4% of the total revenue of the Group, the MVP Segment approximately 12.6% and the Commercial Printing Segment approximately 10.1%. The remaining part was contributed by other segments of the Company.

The Group’s revenue for 1H2019 recorded a period-on-period increase of approximately 83.1%, which was mainly attributable to the increase in the revenue of the EP Segment from HK\$113.8 million to HK\$292.1 million; and the increase in revenue of the Financial Services Segment from HK\$5.0 million to HK\$14.0 million. Reasons for the increase in the relevant segment revenues are set out in the sections below.

In 1H2019, the Group also recorded a profit of approximately HK\$57.1 million, which represented a decrease of approximately 83.6%. It was mainly attributable to (i) a loss on disposal of listed securities investments of approximately HK\$82.5 million (the “Loss on Listed Investments”) representing a reversal of all accumulated unrealized fair value gain on the listed securities investments recognised by the Group in prior periods; (ii) increase in finance costs of approximately HK\$117.7 million; and (iii) decrease in the net exchange gain of approximately HK\$145.3 million, the aggregate effect of which was partly offset by the increase in the fair value gain on the investment properties of approximately HK\$91.5 million. Despite the Loss on Listed Investments recognised in 1H2019, the total realized gain on the listed securities investments over the years amounted to approximately HK\$9.9 million. In April 2018, the Group completed an acquisition of two investment properties (the “Acquisition”) which was financed by the promissory notes and the bank borrowings obtained by the Company, and 2-month interest expenses generated therefrom was recognised by the Group for the six months ended 30 June 2018 (the “1H2018”). In 1H2019, the promissory notes were repaid by a new bank borrowing obtained by the Group, and the increase in the finance costs for 1H2019 was mainly attributable to the 6-month interest expenses of the Group’s bank borrowings for financing the Acquisition. The net exchange gain in both current and prior period was mainly arisen from the depreciation of Renminbi (“RMB”) against Hong Kong dollars (“HK\$”) which drove down the liabilities of the Company denominated in RMB upon translation to HK\$. The decrease in this gain in the period under review was mainly due to the decrease in the net amount of the RMB-denominated liabilities of the Company as compared to that in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial and business review of each segment

The EP Segment

As a major revenue stream of the Group, the EP Segment generated revenue of approximately HK\$292.1 million in 1H2019, representing a significant increase of approximately 156.7% as compared to that in 1H2018. The increase was mainly attributable a rebound of the sales of scrap materials to the PRC customers since the tightening control policy of the imports of scrap materials (the "Policy") promulgated by the government of the PRC in the second quarter of 2018. As disclosed in the annual report of the Company for the year ended 31 December 2018, in the view of the Policy, the Group was looking for suitable location in East or Southeast Asia to develop another processing plant for dismantling, crushing, and smelting of scrap materials. In line with this, the Group has shifted its operations of the EP Segment to Malaysia and Japan in 1H2019 as a strategic move to mitigate the impacts caused by the Policy. The Group has engaged subcontractors in Malaysia for processing of the scrap materials for the ultimate sales to the PRC customers. It also set up 偉祿環保株式會社 (translated as Realord Environmental Protection Japan Co., Ltd.) and leased a processing plant in Osaka, Japan for the EP Segment business. The revenue of the EP Segment in 1H2019 was mainly generated from the sales of scrap materials of the Malaysia's operation. As a result of the increase in revenue, the EP Segment generated an operating profit of approximately HK\$42.9 million, representing a significant increase of approximately 285.0% as compared to that in 1H2018.

The MVP Segment

The MVP Segment generated the second largest revenue to the Group in 1H2019, amounting to approximately 12.6% (i.e. HK\$50.7 million) of the total revenue of the Group. The MVP Segment has a slight increase of revenue of approximately 9.2% in 1H2019 which was mainly attributable to the increase in sales to the wholesales customers. The performance of this segment was improved in 1H2019 as compared to that of 1H2018, evidenced by the significant increase of the profit from HK\$0.1 million in 1H2018 to HK\$5.4 million in 1H2019. The reason for the improvement was due to (i) increase in revenue; and (ii) reversal of impairment losses recognised on trade receivables as a result of appropriate credit control measures.

The Commercial Printing Segment

The Commercial Printing Segment contributed a revenue of approximately HK\$40.7 million, which represented 10.1% of the Group's total revenue during 1H2019 and a decrease in revenue by 9.3% as compared to approximately HK\$44.9 million in 1H2018. The operating profit decreased from HK\$2.1 million to HK\$0.7 million. Both decline in segment revenue and operating profit were resulted from the negative sentiment of the capital market which stagnated the merger and acquisition and fundraising activities during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial and business review of each segment (Continued)

The Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK\$14.0 million, representing 3.5% of the total revenue of the Group during the 1H2019. The revenue from this segment increased by 182.3% to HK\$14.0 million as compared to approximately HK\$5.0 million in 1H2018. The segment recorded an operating profit of approximately HK\$1.3 million for 1H2019 as compared to approximately HK\$0.4 million in 1H2018. The increase in the revenue of Financial Services Segment was mainly attributable to the consolidation of revenue generated by Optima Capital since completion of acquisition in April 2019, which enables the Group to provide more comprehensive financial services to its customers and thus improves the segment results during the period under review.

The Hangtag Segment

The Hangtag Segment generated a revenue of approximately HK\$0.2 million, representing 0.1% of the Group's total revenue. The segment revenue decreased by 52.2% from approximately HK\$0.5 million for 1H2018 to approximately HK\$0.2 million for 1H2019. The operating loss derived from this segment was relatively minimal during the period under review and the last corresponding period.

The Property Investment Segment

The revenue of the Property Investment Segment was mainly generated from the rental income of the Group's investment properties. In 1H2018, the Group generated aggregate rental income of approximately HK\$9.8 million. In 1H2019, to facilitate the approval process by the Development and Reform Commission (發展和改革委員會) and other government authorities in relation to the Group's application made for urban redevelopment of the Qiankeng Property from industrial use to public housing and residential use, the Group had terminated the lease agreement of the subject property for setting up the development projects (立項) in this regard. Due to the termination of the lease, the revenue generated from this segment decreased from HK\$9.8 million to HK\$5.7 million. Apart from this, the Property Investment Segment generated a profit of approximately HK\$304.6 million in 1H2019, representing a slight decrease of approximately 13.9% as compared to that in 1H2018. This was mainly attributable to the increase in finance costs arising from the bank borrowings for financing the Acquisition of approximately HK\$117.7 million, offset by the increase in the fair value gain on the investment properties of HK\$91.5 million.

Others

The Group invests in listed securities in Hong Kong for trading purpose and other club and school debenture in Hong Kong. The Group recorded a loss on disposal of the listed securities investment of approximately HK\$82.5 million during the reporting period, which represented a reversal of all accounted unrealised fair value gain on such investments recognised in prior periods. The total net realised gain on this investment of the years was approximately HK\$9.9 million. As at 30 June 2019, the financial assets at fair value through profit or loss amounted to approximately HK\$7.1 million, which represented solely investments in club and school debentures.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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\$987.0 million as at 30 June 2019 (31 December 2018: HK\$896.5 million) which were mainly denominated in HK\$ and RMB (31 December 2018: HK\$ and RMB). Its gearing ratio as at 30 June 2019 was 365.8% (31 December 2018: 266.6%), based on the interest-bearing borrowings denominated in HK\$ and RMB (31 December 2018: HK\$ and RMB) of approximately HK\$8,993.2 million (31 December 2018: HK\$7,674.9 million) and the equity attributable to owners of the Company of approximately HK\$2,458.6 million (31 December 2018: HK\$2,878.4 million). The interest bearing borrowings carried interest rate ranging from 3.8% to 9.55% per annum (31 December 2018: 3.48% to 7.6% per annum) with maturity ranging from within 1 year to 5 years (31 December 2018: within 1 year to 5 years).

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 RMB750.1 million reserved for operating and treasury purpose as at 30 June 2019.

During the six months ended 30 June 2019, 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 used foreign currency forward contract for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 30 June 2019.

Financial guarantees and charges on assets

As at 30 June 2019, corporate guarantees amounting to approximately HK\$8,809.2 million (31 December 2018: HK\$4,781.5 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, while corporate guarantees amounting to approximately HK\$8,507.7 million (31 December 2018: HK\$4,480 million) was given to the bank in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company 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\$8,997.2 million (31 December 2018: HK\$8,244.4 million) and HK\$66.5 million (31 December 2018: HK\$68.2 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Events subsequent to the end of financial period

The Group has no significant events after the reporting period up to the date of this interim report.

REVIEW AND OUTLOOK

Evidenced by the increase of 83.1% in total revenue, 156.7% in the EP Segment revenue, 182.3% in the Financial Services Segment revenue, and 9.2% in the MVP Segment revenue and the new developments in the Financial Services Segment and the EP Segment through acquisitions of quality targets or change in major operating locations, the Group's business presented a diversified base to the Group and the Board considers that it will continue to explore business opportunities beneficial to the Group and the shareholders as a whole and maintain the diversified portfolio to derisk the volatility of the economy and the market in general.

The EP Segment

It is believed that the EP Segment will continue to be one of the major revenue streams of the Group and in view of the promulgation of the Policy, the Group expects that the major drivers of the EP Segment would be the Malaysia's operation and the Japan's operation. The Group will continue to explore the feasible delivery and processing options from Malaysia and Japan and it is the Group's target to commence the local sales in Japan through the leased processing plant in Osaka.

As the profit guarantee of not less than HK\$50 million for the year ended 31 December 2018 as given by the vendor in the acquisition of the entire equity interest in Realord Environmental Protection Industrial Company Limited has been fulfilled, 2,500,000 new shares were allotted and issued as consideration shares to the vendor in June 2019. Details of the profit guarantee was set out in the announcement of the Company dated 31 May 2019.

The MVP Segment

In 2019, the Group's strategy as to the MVP Segment is to continue to focus on the wholesale business of the motor vehicle parts, as well as sales on online platform and the automobile sales service shops located in the PRC. The existing customers of the Group are mainly from Guangzhou, and the Group will start to explore other business opportunities in other provinces of the PRC.

The Financial Services Segment

In April 2019, the Group completed its acquisition of 60% issued share capital of Optima Capital, which is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is principally engaged in provision of corporate finance advisory services in Hong Kong. The Group believes that the acquisition strengthens the Financial Services Segment of the Group in Hong Kong and it facilitates the Group to build an one stop financial service platform with good branding and market positioning.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW AND OUTLOOK (Continued)

The Financial Services Segment (Continued)

The Group, together with 5 other independent third parties, had also applied for the approval from the China Securities Regulatory Commission (“CSRC”) of the establishment of a security company in Guangzhou Pilot Free Trade Zone, which is currently under review of CSRC. The Company will update the shareholders with the progress of the application.

The Commercial Printing Segment

The Group contemplates the continuous competition for the Commercial Printing Segment over the years and expects that the competition in the market will hinder the Group to pass the inflating operating costs to customers in coming years. This will limit the profit margin for the Commercial Printing Segment in the foreseeable future. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

The Property Investment Segment

In March 2019, the Group completed an acquisition of a company which principal assets is a residential property of Villa Bel-Air, Hong Kong. The Group considers that this acquisition would further diversify the Group’s portfolio of investment properties and strengthen the Property Investment Segment. In addition to this, the Group holds other investment properties including but not limited to that in Realord Villas in Guanlan District and that in Guangming High-Tech Zone – East District, Guangming District. Both investment properties are located in direct administrative districts which had been designated for speedy economic development by the local PRC governments. It is expected that the growth engine for the development of these two districts will be the investors within Shenzhen City or from other regions of the PRC. The Group is optimistic to the property market in these two districts and in view of this, has engaged a consultant to establish a bespoke rebranding strategy and refurbishment plan for its investment properties.

The Hangtag Segment

The operating environment of the Hangtag Segment would remain challenging and the Directors will review and assess the risks, benefits and prospects thereof along the operations.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW AND OUTLOOK (Continued)

Others

The Group has 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. It was noted that the Qiankeng property has been included in the relevant urban renewal bureau's announcement regarding the proposed urban redevelopment plan for the Longhua District of 2019. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2019, subject to government schedules, and thereafter the redevelopment works will commence. The Group has also obtained consents from local residents regarding another redevelopment plan located in Nanshan District, Shenzhen.

LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in note 25 to the condensed consolidated financial statements, the Group has no other litigation and contingent liabilities.

DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (For the six months ended 30 June 2018: Nil).

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 2019, 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

Name of Directors	Number of Shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest from options granted under share option scheme	Total interests	
Dr. Lin Xiaohui	-	1,073,160,000 (Note 1)	-	-	1,073,160,000	74.62%
Madam Su Jiaohua	-	-	1,073,160,000 (Note 2)	-	1,073,160,000	74.62%
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:

- As at 30 June 2019, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 1,073,160,000 Shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,073,160,000 Shares.
- Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,073,160,000 Shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 30 June 2019.

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 2019, 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 2019, 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	1,073,160,000	74.62%

Note:

As at 30 June 2019, MHL was the legal and beneficial owner of 1,073,160,000 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 2019, 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 7,800,000 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 7,800,000 additional ordinary shares of the Company and additional share capital and share premium of HK\$780,000 and HK\$31,278,000 (before issue expenses).

SHARE OPTION SCHEMES (Continued)

At the date of the interim report, the Company had 7,800,000 share options outstanding under the Scheme, which represented approximately 0.54% of the Company's shares in issue. The total number of shares of the Company available for issue under the Scheme is 61,325,311, representing approximately 4.3% 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 2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2019
Directors								
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
				2,500,000	-	-	-	2,500,000
Directors' 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	2,000,000	-	-	-	2,000,000
				2,000,000	-	-	-	2,000,000
				7,800,000	-	-	-	7,800,000

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

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 23 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 2019.

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 complied with 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 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 June 2019, 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 2019, the Group had an available workforce of approximately 240, of which around 90 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 2019.

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 2019