

The logo for Realord, featuring the word "Realord" in a stylized, bold, blue font with a red-to-blue gradient. The background of the entire cover is a collage of modern skyscrapers and cityscapes, with various colored diamond shapes (green, orange, blue, pink) overlaid on the images.

# Realord

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

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

2020  
Interim Report

## CONTENTS

	Page
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Cash Flows	7
Condensed Consolidated Statement of Changes in Equity	8
Notes to the Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	32
Dividends	40
Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations	41
Interests of Substantial Shareholders in Shares and Underlying Shares of the Company	42
Corporate Governance	45

## 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 AUDITORS

Grant Thornton Hong Kong Limited

Level 12, 28 Hennessy Road

Wanchai

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

Chong Hing Bank Limited

United Overseas Bank Limited

Hong Kong Branch

China Merchants Bank

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 2020

		<b>For the six months ended</b>	
		<b>30 June</b>	30 June
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Restated and
	Notes	<b>HK\$'000</b>	unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>			
Goods and services		<b>293,035</b>	392,967
Rental income		<b>5,195</b>	5,698
Interest		<b>7,882</b>	4,736
<hr/>			
Total revenue	4	<b>306,112</b>	403,401
Cost of sales		<b>(219,508)</b>	(302,317)
<hr/>			
<b>Gross profit</b>			
Other income	6A	<b>16,357</b>	13,211
Other gains and losses	6B	<b>493,594</b>	771,766
(Impairment losses)/Reversal of impairment losses, net		<b>(3,971)</b>	2,947
Selling and distribution expenses		<b>(6,552)</b>	(3,980)
Administrative expenses		<b>(113,443)</b>	(81,007)
Share of result of an associate		–	(1,222)
Finance costs	7	<b>(308,392)</b>	(280,354)
<hr/>			
<b>Profit before income tax</b>			
Income tax expense	8	<b>(116,206)</b>	(195,765)
<hr/>			
<b>Profit for the period</b>			
	9	<b>47,991</b>	326,680
<hr/>			
<b>Attributable to:</b>			
Owners of the Company		<b>45,940</b>	314,107
Non-controlling interests		<b>2,051</b>	12,573
<hr/>			
		<b>47,991</b>	326,680
<hr/>			
<b>Earnings per share</b>			
– Basic (HK cents)	11	<b>3.194</b>	21.874
– Diluted (HK cents)	11	<b>3.193</b>	21.854

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	<b>For the six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Restated and
	<b>HK\$'000</b>	unaudited)
		<i>HK\$'000</i>
<b>Profit for the period</b>	<b>47,991</b>	326,680
<b>Other comprehensive expense</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on property revaluation	<b>928</b>	–
Income tax relating to gain on property revaluation	<b>(232)</b>	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations:		
– Subsidiaries	<b>(91,285)</b>	(24,051)
– An associate	–	135
<b>Other comprehensive expense for the period, net of income tax</b>	<b>(90,589)</b>	(23,916)
<b>Total comprehensive (expense)/income for the period</b>	<b>(42,598)</b>	302,764
<b>Attributable to:</b>		
Owners of the Company	<b>(45,035)</b>	289,570
Non-controlling interests	<b>2,437</b>	13,194
	<b>(42,598)</b>	302,764

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 30 June 2020

		<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		<b>458,348</b>	488,433
Prepaid lease payments		<b>4,678</b>	4,842
Investment properties	12	<b>9,153,065</b>	8,863,251
Goodwill		<b>87,390</b>	87,390
Other intangible assets		<b>44,790</b>	46,184
Prepayments, deposits and other receivables		<b>14,784</b>	14,562
		<b>9,763,055</b>	9,504,662
<b>Current assets</b>			
Inventories		<b>129,001</b>	67,062
Trade receivables	13	<b>479,071</b>	321,088
Receivables arising from securities broking	13	<b>130,446</b>	89,481
Prepayments, deposits and other receivables		<b>376,875</b>	368,781
Proposed development projects		<b>1,630,243</b>	1,622,738
Tax recoverable		<b>3,576</b>	3,661
Financial assets at fair value through profit or loss ("FVTPL")	14	<b>16,950</b>	14,130
Cash held on behalf of clients		<b>125,632</b>	6,292
Bank balances and cash		<b>1,618,575</b>	585,052
		<b>4,510,369</b>	3,078,285
<b>Current liabilities</b>			
Trade payables	15	<b>51,904</b>	55,360
Payables arising from securities broking	15	<b>128,639</b>	16,853
Contract liabilities		<b>14,920</b>	5,141
Other payables and accruals		<b>107,063</b>	100,601
Bank borrowings and overdrafts	16	<b>723,321</b>	524,923
Amounts due to related parties	17	<b>86,300</b>	69,496
Lease liabilities		<b>33,257</b>	29,794
Tax payable		<b>6,747</b>	17,696
		<b>1,152,151</b>	819,864
<b>Net current assets</b>		<b>3,358,218</b>	2,258,421
<b>Total assets less current liabilities</b>		<b>13,121,273</b>	11,763,083

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>Equity</b>			
Share capital	18	143,821	143,821
Reserves		2,154,706	2,201,274
<b>Equity attributable to owners of the Company</b>			
Non-controlling interests		2,298,527	2,345,095
		888,165	874,195
		<b>3,186,692</b>	3,219,290
<b>Non-current liabilities</b>			
Deferred tax liabilities		448,124	339,709
Other payables and accruals		43,502	42,353
Loans from ultimate holding company	19	686,456	687,688
Bank borrowings and overdrafts	16	8,738,546	7,444,069
Lease liabilities		17,953	29,974
		<b>9,934,581</b>	8,543,793
		<b>13,121,273</b>	11,763,083

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the six months ended 30 June 2020

	<b>For the six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Restated and
	<b>HK\$'000</b>	unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash (used in)/from operating activities	<b>(230,785)</b>	139,384
<b>Investing activities</b>		
Net cash outflow on acquisition of assets through acquisition of subsidiaries	–	(501,658)
Net cash outflow on acquisition of a subsidiary	–	(34,384)
Other investing cash flows	<b>8,327</b>	(99,254)
Net cash from/(used in) investing activities	<b>8,327</b>	(635,296)
<b>Financing activities</b>		
New bank borrowings raised	<b>1,644,390</b>	3,112,589
Repayment of bank and other borrowings	<b>(26,858)</b>	(285,420)
Repayment of promissory notes	–	(2,006,364)
Loans from ultimate holding company, net	<b>(16,057)</b>	(1,360)
Other financing cash flows	<b>(270,884)</b>	(226,200)
Net cash from financing activities	<b>1,330,591</b>	593,245
Net increase in cash and cash equivalents	<b>1,108,133</b>	97,333
Cash and cash equivalents at the beginning of the period	<b>565,052</b>	876,544
Effect of changes in foreign exchange rates	<b>(74,610)</b>	(6,907)
Cash and cash equivalents at the end of the period	<b>1,598,575</b>	966,970
Represented by:		
Bank balances and cash	<b>1,618,575</b>	986,970
Bank overdrafts	<b>(20,000)</b>	(20,000)
	<b>1,598,575</b>	966,970



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the six months ended 30 June 2020

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Shares to be issued	Share options reserve	Statutory reserve	Capital reserve	Asset revaluation reserve	Exchange translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As 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 period	-	-	-	-	-	-	-	-	314,107	314,107	12,573	326,680
Other comprehensive expense 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 for the period	-	-	-	-	-	-	-	(24,537)	314,107	289,570	13,194	302,764
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	19,971	19,971
Acquisition of assets through acquisition of a subsidiary	-	-	-	-	-	-	-	(78)	78	-	774,437	774,437
Issue of shares	250	11,248	(11,498)	-	-	-	-	-	-	-	-	-
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,589	2,589
Transactions with owners	250	11,248	(11,498)	-	-	-	-	(78)	78	-	796,997	796,997
As at 30 June 2019 (Restated and unaudited)	143,821	1,918,627	-	15,054	2,949	586,594	30,650	(471,317)	941,640	3,168,018	864,169	4,032,187
As at 1 January 2020 (Audited)	143,821	1,918,627	-	15,054	2,949	586,594	30,978	(565,982)	213,054	2,345,095	874,195	3,219,290
Profit for the period	-	-	-	-	-	-	-	-	45,940	45,940	2,051	47,991
Other comprehensive expense for the period:												
Gain on property revaluation	-	-	-	-	-	-	560	-	-	560	368	928
Income tax relating to gain on property revaluation	-	-	-	-	-	-	(140)	-	-	(140)	(92)	(232)
Exchange differences arising on translation of foreign operations												
- Subsidiaries	-	-	-	-	-	-	-	(91,395)	-	(91,395)	110	(91,285)
Total comprehensive expense for the period	-	-	-	-	-	-	420	(91,395)	45,940	(45,035)	2,437	(42,598)
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	(1,533)	(1,533)	11,533	10,000
As at 30 June 2020 (Unaudited)	143,821	1,918,627	-	15,054	2,949	586,594	31,398	(657,377)	257,461	2,298,527	888,165	3,186,692

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2020

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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").

The condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. The accounting policies and critical accounting judgments and estimates used in the preparation of the condensed consolidated financial statements are consistent with those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the application of the new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 2.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

### 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

#### New and amendments to HKFRSs that are effective for the current period

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The application of the new and amendments to HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### New and amendments to HKFRSs in issue but not yet effective

At the date of authorisation of these condensed consolidated financial statements, certain new and amendments to HKFRSs have been published but are not yet effective, and have not been applied early by the Group.

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective date not yet determined

<sup>5</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that all of the pronouncements will be applied in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The application of the new and amendments to HKFRSs is not expected to have a material impact on the Group's condensed consolidated financial statements.

## 3. PRIOR PERIOD ADJUSTMENTS

In preparing the condensed consolidated financial statements for the six months ended 30 June 2020, the Group identified certain material misstatements and made necessary corrections in the presentation and disclosures of certain comparative information in the previously issued condensed consolidated financial statements for the six months ended 30 June 2019 (the "Previously Issued 1H2019 Financial Statements"). Further information on the corrections are set out below:

### (a) Accounting treatment for early redemption of the promissory notes

During the six months ended 30 June 2019, the Company exercised the option to early redeem the promissory notes from Dr. Lin Xiaohui and Madam Su Jiaohua, the controlling shareholders of the Company, and had treated the loss on early redemption of the promissory notes amounting to HK\$439,781,000 as a transaction with owners and recognised such amount to the "Capital reserve" in equity in the Previously Issued 1H2019 Financial Statements. However, such amount represented the difference of amount paid and the carrying amount of the promissory notes at the date of redemption arising from the accelerated effect of early redemption of financial liabilities measured at amortised costs and therefore such amount should be recognised in profit or loss in accordance with the relevant accounting standards. The comparative figures for the six months ended 30 June 2019 are therefore restated accordingly.

### 3. PRIOR PERIOD ADJUSTMENTS (Continued)

#### (b) Accounting treatment for acquisition of 深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or "Shenzhen Yousheng")

Shenzhen Yousheng was an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests. On 22 May 2019, the Group acquired an additional 2% equity interests in Shenzhen Yousheng (the "Acquisition"). As a result, the Group's interests in Shenzhen Yousheng increased from 49% to 51% and Shenzhen Yousheng became a subsidiary of the Group after the Acquisition.

During the six months ended 30 June 2019, the Company determined provisionally the Acquisition as a business combination in the Previously Issued 1H2019 Financial Statements. Upon reassessment during the preparation of consolidated financial statements of the Company for the year ended 31 December 2019, the management concluded that the Acquisition did not constitute a business and should be accounted for as an acquisition of assets. The comparative figures for the six months ended 30 June 2019 are therefore restated accordingly.

The Group has engaged an independent qualified professional valuer to carry out the valuation of the equity interests in Shenzhen Yousheng at the acquisition date. Based on the valuation report, the fair value of the previously held interests in Shenzhen Yousheng at the acquisition date was HK\$774,437,000 and therefore resulting a gain on re-measurement of previously held interest in an associate of HK\$709,402,000 recognised in profit or loss.

The effects of prior period adjustments are as follows:

#### Condensed consolidated statement of profit or loss for the six months ended 30 June 2019

	As previously reported (Unaudited) <i>HK\$'000</i>	Adjustments (Unaudited) <i>HK\$'000</i>	Restated (Unaudited) <i>HK\$'000</i>
Other gains and losses	502,145	269,621	771,766
Profit before income tax	252,824	269,621	522,445
Profit for the period	57,059	269,621	326,680
Profit for the period attributable to owners of the Company	44,486	269,621	314,107
Earnings per share			
– Basic (HK cents)	3.098	18.776	21.874
– Diluted (HK cents)	3.095	18.759	21.854

#### Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019

	As previously reported (Unaudited) <i>HK\$'000</i>	Adjustments (Unaudited) <i>HK\$'000</i>	Restated (Unaudited) <i>HK\$'000</i>
Profit for the period	57,059	269,621	326,680
Total comprehensive income for the period	33,143	269,621	302,764
Total comprehensive income for the period attributable to owners of the Company	19,949	269,621	289,570

#### 4. 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 is 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;
- (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 or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; and
- (vii) Revenue from interest income from money lending business and margin financing is recognised on a time proportion basis using the effective interest method.

## 4. REVENUE (Continued)

## Disaggregation of revenue from contracts with customers

Type of goods and services	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property HK\$'000	Environmental protection HK\$'000	Total HK\$'000
<b>For the six months ended 30 June 2020 (Unaudited)</b>							
Sales of goods							
– Motor vehicle parts	-	-	55,915	-	-	-	55,915
– Scrap materials	-	-	-	-	-	171,224	171,224
– Hangtags, labels, shirt paper boards and plastic bags	-	144	-	-	-	-	144
	-	144	55,915	-	-	171,224	227,283
Rendering of services							
– Printing services	37,720	-	-	-	-	-	37,720
– Financial services	-	-	-	26,562	-	-	26,562
– Commission income from securities broking	-	-	-	1,470	-	-	1,470
Revenue from contracts with customers	37,720	144	55,915	28,032	-	171,224	293,035
Revenue from gross rental income	-	-	-	-	5,195	-	5,195
Revenue from interest income from money lending business	-	-	-	2,583	-	-	2,583
Revenue from interest income from margin financing	-	-	-	5,299	-	-	5,299
<b>Total</b>	<b>37,720</b>	<b>144</b>	<b>55,915</b>	<b>35,914</b>	<b>5,195</b>	<b>171,224</b>	<b>306,112</b>
<b>Timing of revenue recognition</b>							
A point in time	-	144	55,915	9,352	-	171,224	236,635
Over time	37,720	-	-	26,562	-	-	64,282
<b>Revenue out of the scope of HKFRS 15</b>							
Rental income	-	-	-	-	5,195	-	5,195
<b>Total</b>	<b>37,720</b>	<b>144</b>	<b>55,915</b>	<b>35,914</b>	<b>5,195</b>	<b>171,224</b>	<b>306,112</b>

## 4. REVENUE (Continued)

## Disaggregation of revenue from contracts with customers (Continued)

Type of goods and services	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property HK\$'000	Environmental protection HK\$'000	Total HK\$'000
For the six months ended 30 June 2019 (Unaudited)							
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							
– Printing 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
<b>Total</b>	<b>40,664</b>	<b>238</b>	<b>50,710</b>	<b>14,003</b>	<b>5,698</b>	<b>292,088</b>	<b>403,401</b>
<b>Timing of revenue recognition</b>							
A point in time	–	238	50,710	4,949	–	292,088	347,985
Over time	40,664	–	–	9,054	–	–	49,718
<b>Revenue out of the scope of HKFRS 15</b>							
Rental income	–	–	–	–	5,698	–	5,698
<b>Total</b>	<b>40,664</b>	<b>238</b>	<b>50,710</b>	<b>14,003</b>	<b>5,698</b>	<b>292,088</b>	<b>403,401</b>

## 5. 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:

- (i) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");
- (ii) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products ("Hangtag Segment");
- (iii) distribution and sale of motor vehicle parts ("Motor Vehicle Parts Segment");
- (iv) provision of corporate finance advisory, asset management, securities brokerage services, margin financing and money lending ("Financial Services Segment");
- (v) property investment and development and commercial operation ("Property Segment"); and
- (vi) environmental protection industry, mainly 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 loss on financial assets at FVTPL, realised gain/loss on disposal of financial assets at FVTPL, net foreign exchange gain, revaluation surplus/deficit on property, plant and equipment, loss on early redemption of promissory notes, corporate expenses and certain finance costs. This is the measurements reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets exclude 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.



**5. SEGMENT INFORMATION (Continued)**
**a) Segment revenues and results**

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

	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 <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended 30 June 2020 (Unaudited)</b>							
Segment revenue							
Sales to external customers	37,720	144	55,915	35,914	5,195	171,224	306,112
Inter-segment sales	607	-	-	-	1,260	-	1,867
	38,327	144	55,915	35,914	6,455	171,224	307,979
Elimination of inter-segment sales							(1,867)
Revenue							306,112
Segment results	(1,553)	(96)	2,244	3,844	194,288	8,829	207,556
Bank interest income							11,209
Other income							3
Net foreign exchange gain							51,488
Revaluation deficit on property, plant and equipment							(12,665)
Realised gain on disposal of financial assets at FVTPL							1,494
Unrealised fair value loss on financial assets at FVTPL							(1,256)
Corporate expenses							(32,009)
Finance costs							(61,623)
Profit before income tax							164,197

## 5. SEGMENT INFORMATION (Continued)

## a) Segment revenues and results (Continued)

	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property HK\$'000	Environmental protection HK\$'000	Total HK\$'000
For the six months ended 30 June 2019 (Restated and unaudited)							
Segment revenue							
Sales to external customers	40,664	238	50,710	14,003	5,698	292,088	403,401
Inter-segment sales	403	-	-	6	-	-	409
	41,067	238	50,710	14,009	5,698	292,088	403,810
Elimination of inter-segment sales							(409)
Revenue							403,401
Segment results	705	(64)	5,425	1,330	1,014,037	42,918	1,064,351
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)
Loss on early redemption of promissory notes							(439,781)
Corporate expenses							(27,633)
Finance costs							(38,839)
Profit before income tax							522,445

## 5. SEGMENT INFORMATION (Continued)

## b) Segment assets and liabilities

	Commercial printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Property HK\$'000	Environmental protection HK\$'000	Total HK\$'000
<b>As at 30 June 2020 (Unaudited)</b>							
Segment assets	36,912	209	117,845	535,560	11,301,609	472,467	12,464,602
Corporate and unallocated assets							1,808,822
Total assets							14,273,424
Segment liabilities	47,800	54	6,854	142,397	6,672,705	122,818	6,992,628
Corporate and unallocated liabilities							4,094,104
Total liabilities							11,086,732
<b>As at 31 December 2019 (Audited)</b>							
Segment assets	39,061	266	110,481	229,309	10,982,609	439,056	11,800,782
Corporate and unallocated assets							782,165
Total assets							12,582,947
Segment liabilities	41,946	42	9,430	32,221	4,876,898	107,287	5,067,824
Corporate and unallocated liabilities							4,295,833
Total liabilities							9,363,657

## 6A. OTHER INCOME

	For the six months ended	
	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Bank interest income	11,209	9,789
Interest income on credit-impaired loan receivables	3,347	–
Government grant (note)	940	–
Others	861	3,422
	<b>16,357</b>	<b>13,211</b>

Note: The government grant represented the Employment Support Scheme under the Anti-epidemic Fund granted from the HKSAR Government, which aims to provide time-limited financial support to the Group to retain employees who may otherwise be made redundant.

## 6B. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Restated and unaudited) HK\$'000
Gain on fair value changes of investment properties, net	445,540	546,923
Revaluation (deficit)/surplus on property, plant and equipment	(12,665)	927
Realised gain/(loss) on disposal of financial assets at FVTPL	1,494	(82,491)
Unrealised fair value loss on financial assets at FVTPL	(1,256)	–
Loss on early redemption of promissory notes	–	(439,781)
Gain on re-measurement of previously held interests in an associate	–	709,402
Net foreign exchange gain	60,481	36,786
	<b>493,594</b>	<b>771,766</b>

**7. FINANCE COSTS**

	<b>For the six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings and overdrafts	<b>251,243</b>	215,240
Interest on loans from ultimate holding company	<b>55,336</b>	23,861
Interest on promissory notes	–	40,375
Finance charges on lease liabilities	<b>664</b>	878
Imputed interest on deferred consideration	<b>1,149</b>	–
	<b>308,392</b>	280,354

**8. INCOME TAX EXPENSE**

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of the People's Republic of China (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% (six months ended 30 June 2019: 25%) for the period.

	<b>For the six months ended</b>	
	<b>30 June</b>	30 June
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax		
– Hong Kong	<b>1,700</b>	5,015
– The PRC	–	1,797
– Japan	<b>3</b>	–
Deferred tax	<b>114,503</b>	188,953
	<b>116,206</b>	195,765

**9. PROFIT FOR THE PERIOD**

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

	<b>For the six months ended</b>	
	<b>30 June 2020 (Unaudited) HK\$'000</b>	30 June 2019 (Unaudited) HK\$'000
Depreciation		
– Owned assets	<b>11,880</b>	6,555
– Right-of-use assets	<b>15,982</b>	12,930
– Prepaid lease payments	<b>59</b>	62
Amortisation of other intangible assets	<b>1,394</b>	–
Direct operating expenses (including repair and maintenance):		
– Arising from rental-earning investment properties	<b>337</b>	812
Employee benefit expense (including directors' emoluments)	<b>65,062</b>	44,393
Short-term lease payments or/and leases with lease term shorter than 12 months as at initial application of HKFRS 16	<b>1,276</b>	801
Legal and professional fee for transactions	<b>4,548</b>	3,748

**10. DIVIDEND**

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

**11. EARNINGS PER SHARE**

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

	<b>For the six months ended</b>	
	<b>30 June 2020 (Unaudited) HK\$'000</b>	30 June 2019 (Restated and unaudited) HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share calculation (Profit attributable to owners of the Company)	<b>45,940</b>	314,107

## 11. EARNINGS PER SHARE (Continued)

	Number of shares	
	For the six months ended	
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	<b>1,438,209,880</b>	1,435,999,935
Effect of dilutive potential ordinary shares:		
– Share options	<b>687,749</b>	1,313,506
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	<b>1,438,897,629</b>	1,437,313,441

## 12. INVESTMENT PROPERTIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
At the beginning of the period/year	<b>8,863,251</b>	9,081,879
Additions	–	39
Acquisition of assets through acquisition of subsidiaries	–	513,000
Transfer to property, plant and equipment	–	(335,000)
Gain/(Loss) on fair value changes recognised in profit or loss, net	<b>445,540</b>	(202,594)
Exchange realignment	<b>(155,726)</b>	(194,073)
At the end of the period/year	<b>9,153,065</b>	8,863,251

As at 30 June 2020 and 31 December 2019, certain investment properties of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 16.

**13. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING**

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Trade receivables, goods and services	<b>346,717</b>	327,425
Less: allowance for credit losses	<b>(6,779)</b>	(6,337)
	<b>339,938</b>	321,088
Receivables arising from money lending conducted in the ordinary course of business:		
– Loan receivables	<b>142,548</b>	–
Less: allowance for credit losses	<b>(3,415)</b>	–
	<b>139,133</b>	–
Receivables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts receivable	<b>11,417</b>	10,287
– Loans to margin clients	<b>119,152</b>	79,203
Less: allowance for credit losses	<b>(123)</b>	(9)
	<b>130,446</b>	89,481
Total trade receivables and receivables arising from securities broking	<b>609,517</b>	410,569

**Trade receivables excluding those from securities broking**

The credit periods are generally one 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 senior management.

Loan receivables are repayable on agreed dates of repayment and bear interest at commercial rates.

**Receivables arising from securities broking**

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.

The normal settlement term of cash clients accounts receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear interest at commercial rates.



**13. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)**

The following is an ageing analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates/date of rendering of services:

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Current to 30 days	<b>28,129</b>	116,691
31 to 60 days	<b>22,789</b>	80,947
61 to 90 days	<b>19,142</b>	7,264
Over 90 days	<b>269,878</b>	116,186
	<b>339,938</b>	321,088
Loans to money lending clients	<b>139,133</b>	–
Cash clients accounts receivable	<b>11,417</b>	10,287
Loans to margin clients	<b>119,029</b>	79,194
	<b>609,517</b>	410,569

Note: No ageing analysis of loans to money lending clients, cash clients accounts receivable and loans to margin clients is disclosed as in the opinion of the Company's directors, the ageing analysis is not meaningful in view of the nature of the money lending, the cash clients accounts receivable arising from securities broking and the revolving margin loans.

**14. FINANCIAL ASSETS AT FVTPL**

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Club and school debentures	<b>10,748</b>	10,720
Equity investments, listed in Hong Kong	<b>6,202</b>	3,410
	<b>16,950</b>	14,130

## 15. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Trade payables	<b>51,904</b>	55,360
Payables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts payable	<b>128,639</b>	16,853
<b>Total trade payables and payables arising from securities broking</b>	<b>180,543</b>	72,213

The following is an ageing analysis of trade payables based on invoice dates:

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Current to 30 days	<b>5,055</b>	34,465
31 to 60 days	<b>4,981</b>	6,301
61 to 90 days	<b>22,846</b>	945
Over 90 days	<b>19,022</b>	13,649
	<b>51,904</b>	55,360

The credit period of trade payables excluding those from securities broking ranges from 60 to 90 days. The normal settlement terms of payable 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 cash held on behalf of clients amounted to HK\$125,632,000 (31 December 2019: HK\$6,292,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 30 June 2020, the cash clients accounts payable included an amount of HK\$113,000 (31 December 2019: HK\$116,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non interest-bearing. No ageing analysis is disclosed as in the opinion of the Company's directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

## 16. BANK BORROWINGS AND OVERDRAFTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Bank borrowings		
– Secured	6,238,784	4,630,617
– Unsecured	3,203,083	3,318,375
Secured bank overdrafts	20,000	20,000
	<b>9,461,867</b>	7,968,992

The contractual maturity dates of the bank borrowings and overdrafts are as follows:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Carrying amount of bank borrowings are repayable (note d):		
– Within one year	433,744	235,204
– More than one year but not more than two years	509,353	242,679
– More than two years but not more than five years	6,727,741	6,990,435
– Over five years	1,501,452	210,955
	<b>9,172,290</b>	7,679,273
Carrying amount of bank borrowings and overdrafts that contain a repayment on demand clause:		
– Within one year	289,577	289,719
	<b>9,461,867</b>	7,968,992
Less: amounts due within one year shown under current liabilities	<b>(723,321)</b>	(524,923)
Amounts shown under non-current liabilities	<b>8,738,546</b>	7,444,069

**16. BANK BORROWINGS AND OVERDRAFTS (Continued)**

Notes:

- (a) As at 30 June 2020, the Group's bank borrowings and overdrafts of HK\$289,577,000 (31 December 2019: HK\$289,719,000) bear interest rates from 1.25% to 1.75% (31 December 2019: 1.25% to 1.75%) over Hong Kong Interbank Offered Rate per annum.
- (b) As at 30 June 2020, the Group's bank borrowing of HK\$237,258,000 (31 December 2019: HK\$240,000,000) bears interest rate of 2.85% (31 December 2019: 2.85%) below Prime Rate per annum.
- (c) As at 30 June 2020, the Group's bank borrowings of HK\$8,935,032,000 (31 December 2019: HK\$7,439,273,000) bear fixed interest rates from 5.62% to 7.6% (31 December 2019: 5.62% to 7.6%) per annum.
- (d) The amounts due are based on scheduled repayment dates set out in the loan agreements.
- (e) The Group's available banking facilities amounted to HK\$10,235,750,000 (31 December 2019: HK\$8,745,791,000), of which HK\$9,461,867,000 (31 December 2019: HK\$7,968,992,000) had been utilised at the end of the reporting period.
- (f) Certain bank borrowings and overdrafts of the Group were guaranteed by the Company up to HK\$9,215,907,000 (31 December 2019: HK\$7,720,082,000), the Group's companies up to HK\$9,242,137,000 (31 December 2019: HK\$7,090,203,000); and secured by mortgages over the Group's investment properties with a carrying amount at the end of the reporting period of HK\$9,153,065,000 (31 December 2019: HK\$8,024,831,000), mortgages over the Group's leasehold land and buildings with a carrying amount at the end of the reporting period of HK\$376,935,000 (31 December 2019: HK\$354,380,000) and shares of two (31 December 2019: two) subsidiaries holding investment properties.
- (g) Certain bank borrowings and overdrafts of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK\$9,163,587,000 (31 December 2019: HK\$7,670,363,000) and the related parties of the Group up to HK\$8,703,000 (31 December 2019: HK\$8,910,000).
- (h) Except for bank borrowings of HK\$8,935,032,000 (31 December 2019: HK\$7,439,273,000) which are denominated in Renminbi ("RMB"), all other bank borrowings and overdrafts are denominated in HK\$.

## 17. AMOUNTS DUE TO RELATED PARTIES

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Amount due to a related party, who has significant influence over a subsidiary of the Company (note a)	52,472	35,671
Amounts due to related parties, who have significant influence over a subsidiary of the Company (note b)	33,828	33,825
	<b>86,300</b>	69,496

Notes:

- (a) Amounts due are unsecured, interest-free and repayable on demand.
- (b) Amounts due are unsecured, interest-bearing at 5% (31 December 2019: 5%) per annum and repayable on demand.

## 18. SHARE CAPITAL

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>Authorised:</b>		
20,000,000,000 ordinary shares of HK\$0.10 each	2,000,000	2,000,000
<b>Issued and fully paid:</b>		
1,438,209,880 ordinary shares of HK\$0.10 each	143,821	143,821

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

	Number of ordinary shares in issue	Share capital HK\$'000
As at 31 December 2019 (Audited) and 30 June 2020 (Unaudited)	1,438,209,880	143,821

**19. LOANS FROM ULTIMATE HOLDING COMPANY**

Loans from ultimate holding company were unsecured, interest-bearing at 8.2% (31 December 2019: 8.2%) per annum and will be repayable in June 2022 (31 December 2019: June 2021).

**20. CAPITAL COMMITMENTS**

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
– Capital injection in a joint venture engaged in securities brokerage business	<b>383,689</b>	391,054
– Construction contracts	<b>4,949</b>	2,474
– Plant and machinery	<b>6,069</b>	–
	<b>394,707</b>	393,528

**21. RELATED PARTY TRANSACTIONS**

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:

**(a) Related party transactions**

	<b>For the six months ended</b>	
	<b>30 June 2020 (Unaudited) HK\$'000</b>	30 June 2019 (Unaudited) HK\$'000
Interest expense on promissory notes to the directors and controlling shareholders	–	40,375
Interest expense on loans from ultimate holding company	<b>55,336</b>	23,861
Management fee paid to a related company controlled by a director of the Company in the PRC	<b>373</b>	373
Rental expense paid to the directors and controlling shareholders	–	110
Securities service fee received from the directors and controlling shareholders	<b>1</b>	–

**(b) Other transactions with related parties**

During the six months ended 30 June 2020, the Group received loans from and repaid to ultimate holding company of HK\$3,054,157,000 (six months ended 30 June 2019: HK\$1,908,326,000) and HK\$3,070,214,000 (six months ended 30 June 2019: HK\$1,909,686,000) respectively.

## 21. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended	
	30 June 2020 (Unaudited) HK\$'000	30 June 2019 (Unaudited) HK\$'000
Short-term employee benefits	5,016	5,009
Post-employment benefits	27	27
	<b>5,043</b>	<b>5,036</b>

## 22. FINANCIAL INSTRUMENTS

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

The fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of fair value hierarchy which the fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs are unobservable inputs for the asset or liability.

Certain financial assets of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000		
Club and school debentures	10,748	10,720	Level 2	Estimated transaction prices
Equity investments, listed in Hong Kong	6,202	3,410	Level 1	Quoted bid prices in an active market

## 22. FINANCIAL INSTRUMENTS (Continued)

During the six months ended 30 June 2020 and 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 the financial assets.

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

## 23. CONTINGENT LIABILITIES

Since 2016, 冠彰電器(深圳)有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd. or "Guan Zhang"), a subsidiary of the Company, has been a defendant in a lawsuit brought by a third party (the "Plaintiff"), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25,000,000 and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest Global Limited ("Citibest", a subsidiary of the Company) and Guan Zhang in the Shenzhen Baoan District People's Court. The Group won the lawsuit in 2017. Subsequently, the Plaintiff 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. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People's Court. As at 30 June 2020, the Group has placed a security deposit at the court which amounted to RMB36,739,000 (equivalent to approximately HK\$40,275,000) and was restricted as to use as a result of a freezing injunction by the court.

After consultation with the external legal counsel and in view of all the facts and circumstances, management 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.

## 24. EVENT AFTER REPORTING PERIOD

On 15 May 2020, Realord Asia Pacific Securities Limited, a non wholly-owned subsidiary of the Company, intended to make, on behalf of the Company, a voluntary conditional cash offer (the "Offer") to acquire all the issued shares of The Sincere Company, Limited ("Sincere"), a listed company in Hong Kong (stock code: 0244). As at the date of this interim report, the making of the Offer is still subject to the satisfaction or waiver (as the case may be) of certain pre-conditions. For further details, please refer to the joint announcements of the Company and Sincere dated 15 May 2020, 5 June 2020, 17 June 2020, 17 July 2020 and 4 August 2020 and the circular of the Company dated 23 July 2020.



## 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 to manufacturers of consumer products (“Hangtag Segment”), distribution and sales of motor vehicle parts (“MVP Segment”), provision of corporate finance advisory, asset management, securities brokerage services, margin financing and money lending (“Financial Services Segment”), property investment and development and commercial operation (“Property Segment”), and environmental protection industry, mainly in dismantling and trading of scrap materials (“EP Segment”).

### Overall financial review

During the six months ended 30 June 2020 (the “1H2020”), the Group recorded a total revenue of approximately HK\$306.1 million, which was mainly contributed by the EP Segment, the MVP Segment, the Commercial Printing Segment and the Financial Services Segment. Of the total revenue of the Group, the EP Segment contributed approximately 55.9%, the MVP Segment approximately 18.3%, the Commercial Printing Segment approximately 12.3% and the Financial Services Segment approximately 11.7% thereof respectively. The remaining part was contributed by other segments of the Company. The Group’s revenue for 1H2020 decreased by approximately HK\$97.3 million or 24.1% as compared to that for the six months ended 30 June 2019 (the “1H2019”). Such decrease was mainly attributable to the decrease in the revenue of the EP Segment from HK\$292.1 million for 1H2019 to HK\$171.2 million for 1H2020 and partially offset by increase in revenue of the Financial Services Segment from HK\$14.0 million for 1H2019 to HK\$35.9 million for 1H2020. Reasons for the changes in the relevant segment revenues are set out in the sections below.

In 1H2020, the Group recorded a profit of approximately HK\$48.0 million, which represented a decrease of approximately HK\$278.7 million or 85.3% as compared to a profit of approximately HK\$326.7 million for 1H2019. The decrease was mainly attributable to (i) decrease in net gain on fair value changes of investment properties by approximately HK\$101.4 million; (ii) certain items incurred for 1H2019 not recurred during 1H2020, which were related to the gain on re-measurement of previously held interests in an associate of approximately HK\$709.4 million and loss on early redemption of promissory notes of approximately HK\$439.8 million in 1H2019; and (iii) increase in the finance costs of approximately HK\$28.0 million. The aforesaid effects to the Group’s financial results for 1H2020 were partly offset by (i) a net gain on disposal of listed securities investments of approximately HK\$1.5 million in 1H2020 as compared to that of a net loss on disposal of listed securities investments of approximately HK\$82.5 million in 1H2019; and (ii) a decrease in deferred tax expenses of approximately HK\$74.4 million mainly due to the decrease in net gain on fair value changes of investment properties for the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial and business review of each segment

#### *The Property Segment*

The revenue of the Property Segment was mainly derived from the rental income of the Group's investment properties. In 1H2019, the Group generated aggregate rental income of approximately HK\$5.7 million, while in 1H2020, the revenue from this segment decreased to HK\$5.2 million. The decrease of approximately 8.8% was mainly attributable to a temporary rent reduction offered to tenants in the PRC following the PRC government's call for rental relief during the period of lock-down in a number of cities in the PRC resulting from the outbreak of COVID-19. The Property Segment generated a segment profit of approximately HK\$194.3 million in 1H2020, representing a reduction of approximately HK\$819.7 million or 80.8% as compared to that in 1H2019. The decline was mainly attributable to (i) the gain on re-measurement of previously held interests in an associate of approximately HK\$709.4 million being recognised during the last corresponding period not recurred in 1H2020. The aforesaid re-measurement was due to the Group's increase in equity interests in Shenzhen Yousheng from 49% to 51% in 1H2019 resulting such company became an indirect 51%-owned subsidiary of the Company; and (ii) a decrease in net gain on fair value changes of investment properties from approximately HK\$546.9 million in 1H2019 to approximately HK\$445.5 million in 1H2020. The increase in the value of investment properties from approximately HK\$8,863.3 million as at 31 December 2019 to approximately HK\$9,153.1 million as at 30 June 2020 was mainly attributable to the gentle growth in the Shenzhen property market of which the Group's major investment properties are located.

#### *The EP Segment*

As a major revenue stream of the Group, the EP Segment generated revenue of approximately HK\$171.2 million in 1H2020, representing a decrease of approximately 41.4% as compared to that in 1H2019. The decrease was mainly attributable to the contraction of commodity price and the sluggish demand of scrap materials in the PRC during 1H2020 due to the unforeseen outbreak of COVID-19 which adversely affected the market sentiment and business negotiation process. Nonetheless, during 1H2020, the Group continually followed its business plan to develop its processing plant and business network in overseas market. Among which, the Group's revenue of HK\$25.8 million in 1H2020 was generated from sales to customers in Japan (Nil in 1H2019). The Group focused on the sourcing and processing operation in Japan, whereby the production capacity has also been enhanced by equipping new production lines. As a result of the decrease in revenue mentioned above and the costs involved in expanding the scale of 偉祿環保株式會社 (Realord Environmental Protection Industrial Co. Ltd.) ("Realord EP Japan"), the Group's operating profit for the EP Segment during the period under review dropped by approximately 79.4% to approximately HK\$8.8 million from that of approximately HK\$42.9 million during the last corresponding period.

## 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\$35.9 million for 1H2020, which increased by 1.6 times as compared to that of approximately HK\$14.0 million in 1H2019. The segment recorded an operating profit of approximately HK\$3.8 million for 1H2020 as compared to approximately HK\$1.3 million in 1H2019. The growth of both revenue and operating profit of the Financial Services Segment was mainly attributable to (i) the consolidation of six-month results of Optima Capital Limited to the Group in 1H2020 as compared to that of two-months in 1H2019 since the completion of acquisition of 60% issued share capital thereof in April 2019; and (ii) the Group's provision of more comprehensive services to its customers, such as placing agent, and underwriting services as joint book runner of certain initial public offering ("IPO") projects.

#### *The MVP Segment*

During the period under review, the Group retained a prudent approach in developing the business for the MVP Segment. Notwithstanding the outbreak of COVID-19 epidemic, the MVP Segment maintained a stable supply to its customers and generated a revenue of approximately HK\$55.9 million for 1H2020. The slight increase in revenue of approximately 10.3% in 1H2020 was mainly attributable to sales to new wholesales customers. The performance of MVP Segment declined in 1H2020 as compared to that of 1H2019, whereby the segment profit dropped from approximately HK\$5.4 million for 1H2019 to approximately HK\$2.2 million for 1H2020. The decline in performance was mainly as a result of almost no additional impairment loss on trade receivables made in 1H2020, whereas there was a reversal of impairment losses on trade receivables in 1H2019.

#### *The Commercial Printing Segment*

The uncertain business environment caused by the outbreak of COVID-19 epidemic during the period under review has negatively affected the capital market sentiment, which also impacted the demand on services and limited the business development efforts of the Group. As a result, the revenue from the Commercial Printing Segment decreased by 7.2% to approximately HK\$37.7 million in 1H2020 and its operating results changed from a profit of approximately HK\$0.7 million in 1H2019 to a loss of approximately HK\$1.6 million in 1H2020.

#### *The Hangtag Segment*

The revenue from Hangtag Segment of approximately HK\$0.1 million was minimal to the Group's total revenue for 1H2020 (1H2019: approximately HK\$0.2 million). The operating loss derived from Hangtag Segment was relatively minimal during the periods of 1H2020 and 1H2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial and business review of each segment (Continued)

#### *Others*

The Group invests in listed securities in Hong Kong for trading purpose and other club and school debentures in Hong Kong. As at 30 June 2020, these financial assets at fair value through profit or loss amounted to approximately HK\$17.0 million. The overall net gain (realised and unrealised) on such investments through profit or loss for the period under review was not material. In prior period, the Group incurred a realised loss of approximately HK\$82.5 million on the disposal of investments in a listed security held by the Group, which represented a reversal of all accumulated unrealised fair value gain on such listed securities investments recognised in prior years while the total net realised gain on such investments over the years was approximately HK\$9.9 million.

### Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. The Group's cash and bank balances as at 30 June 2020 amounted to approximately HK\$1,618.6 million (31 December 2019: HK\$585.1 million) which were mainly denominated in HK\$ and RMB (31 December 2019: HK\$ and RMB).

The gearing ratio of the Group as at 30 June 2020 was approximately 441.5% (31 December 2019: 369.1%), which is calculated based on the interest-bearing borrowings denominated in HK\$ and RMB (31 December 2019: HK\$ and RMB) of approximately HK\$10,148.3 million (31 December 2019: HK\$8,656.7 million) and divided by the equity attributable to owners of the Company of approximately HK\$2,298.5 million (31 December 2019: HK\$2,345.1 million). The interest bearing borrowings carried interest rate ranging from 2.10% to 7.60% per annum (31 December 2019: 2.15% to 7.60% per annum) with maturity ranging from within 1 year to 30 years (31 December 2019: within 1 year to 30 years).

The Directors consider 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 fulfill 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 RMB797.3 million reserved for operating and treasury purpose as at 30 June 2020.

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 contracts for hedging purpose during 1H2020. The Group did not use any financial instruments for hedging purpose as at 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Financial guarantees and charges on assets

As at 30 June 2020, corporate guarantees amounting to approximately HK\$9,215.9 million (31 December 2019: HK\$7,720.1 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\$8,926.3 million (31 December 2019: HK\$7,430.4 million) was given to banks 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, leasehold land and buildings owned by the Group with a total net book value of approximately HK\$9,153.1 million (31 December 2019: HK\$8,024.8 million) and approximately HK\$376.9 million (31 December 2019: HK\$354.4 million) respectively.

### Prior period adjustments

In preparing the condensed consolidated financial statements of the Group for 1H2020, the Company identified certain material misstatements and made necessary corrections of certain comparative information for 1H2019, which were related to the accounting treatments in respect of the loss on early redemption of promissory notes and the acquisition of Shenzhen Yousheng. Such corrections made in respect of these accounting treatments are in line with those applied in the audited consolidated financial statements of the Group for the year ended 31 December 2019. For details of the prior period adjustments, please refer to note 3 to the condensed consolidated financial statements for 1H2020.

### REVIEW AND OUTLOOK

As disclosed in the annual report of the Company for the year ended 31 December 2019, the business environment of the Group in 2020 was expected to be much affected by the lingering trade tensions between the PRC and the United States of America and the prolonged outbreak of COVID-19 epidemic. While the business activities globally are recovering from the disruptions caused by the outbreak of COVID-19, these situations are expected to continually cast uncertainties to the business sentiment and activities. As it is difficult to estimate how much longer the situation will persist, the Group will continue to take a prudent approach to explore business opportunities and strategic investment beneficial to the Group and the Shareholders as a whole.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW AND OUTLOOK (Continued)

#### The Property Segment

The outbreak of COVID-19 has resulted lock-down in a number of cities in the PRC for several weeks after the Chinese New Year of 2020. Yet, with the measures implemented by relevant government authorities to control the outbreak of COVID-19 and business activities picking up from the outbreak, the Group takes an optimistic view on the outlook for the property market. The Group's investment properties include but not limited to that located in Realord Villas in Longhua District and Realord Technology Park in Guangming District, Shenzhen in the PRC. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC governments. The station of Shenzhen Metro Line 6 nearby Realord Technology Park had been commenced in use since August 2020, which enhanced the accessibility of Guangming District. 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. Due to the outbreak of COVID-19, the Group's renovation plan for the investment properties in Realord Villas has been delayed. The Group will observe the consumer market sentiment from the recovery of the outbreak of COVID-19 and take a prudent approach to implement the renovation work. The pre-leasing activities are undergoing at Realord Villas and the potential tenants include certain renowned catering group.

The Group has initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. 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 agreed in principle in early 2020 that such redevelopment would be changed from indemnificatory housing to affordable commodity housing. It was also 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, and has also been included as a major renewal project of Longhua District in early 2020. The redevelopment plan of Qiankeng property was principally agreed by the relevant urban renewal bureau in August 2020. The Group is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2020, subject to government schedules, and thereafter the redevelopment works will commence.

The Group was also selected by relevant stakeholders as the market developer of a redevelopment project located in Nanshan District, Shenzhen. The Group has submitted the application for becoming the authorised developer and is in the course of obtaining relevant government authorities' approval for the project. Subject to obtaining the foregoing government approvals on the redevelopment, the demolition of the existing properties and the redevelopment works on the aforesaid site will commence.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW AND OUTLOOK (Continued)

#### The EP Segment

Following the Group's strategy to develop its processing plant and business network in overseas market for the EP Segment, the Group successfully established Realord EP Japan in 2019 and is expanding its market share in Japan. It is the Group's target to expand its operation in Japan in coming year by broadening its sourcing network and enhancing its processing capacity in the leased processing plant. Meanwhile, the Group is also exploring the feasibility of cooperation with corporates in plastic waste recycle industry in Japan aiming to extend its processed products offering in plastics. Looking forward, the Group will explore the business opportunities in local Malaysia market and continue to develop its business in both the PRC and overseas markets. It is believed that the EP Segment will continue to be one of the major revenue streams of the Group.

#### The Financial Services Segment

The Group continues its strategy in 2019, which is to build a one-stop financial services platform with good branding and market positioning for the Financial Services Segment. During the period under review, the Group has leveraged on its resources and provided services to the customers through various business platforms under the Financial Services Segment. For instance, in 1H2020, Realord Asia Pacific Asset Management Limited, the assets management arm of the Financial Services Segment, launched its investment funds to its customers. Going forward, the Group will continue to integrate its lines of financial services, targeting to provide a more comprehensive scope of services to customers. However, in view of the persistent uncertainties on business sentiment and economic activities globally, mergers and acquisitions activities and IPO projects in the market may be further delayed or suspended which would have negative impact on the progress of the Group's business plan.

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 when and as appropriate.

#### The MVP Segment

Notwithstanding the outbreak of COVID-19, the Group has maintained a stable product supply to its customers and achieved a slight growth in its revenue for the MVP Segment in 1H2020. The Group will focus on maintaining stability of its procurement network and continue to take a prudent approach (including to apply tight credit control measures) in developing the business of MVP Segment in coming year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW AND OUTLOOK (Continued)

#### The Commercial Printing Segment

The Group contemplates the continuous competition and sluggish demand for the Commercial Printing Segment over the years and estimates the current situation will persist in coming years. The uncertainties of macroeconomic and business sentiment would undoubtedly affect the merger and acquisition and fundraising activities in the capital market, which continually affect the demand of the Group's services under the Commercial Printing Segment. The Group will implement possible measures to control its operating costs during this challenging period. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

#### The Hangtag Segment

The Group takes a pessimistic view on the outlook for the Hangtag Segment and the Directors will review and assess the risks, benefits and prospects thereof along the operations.

#### Others

On 15 May 2020, Realord Asia Pacific Securities Limited (a non wholly-owned subsidiary of the Company) intended to make, on behalf of the Company and subject to the satisfaction or waiver (as the case may be) of certain pre-conditions, a voluntary conditional cash offer (the "Offer") to acquire all the issued shares of The Sincere Company, Limited ("Sincere"), a listed company in Hong Kong (stock code: 0244). The final offer price is HK\$0.3935 per issued share of Sincere. The principal activities of Sincere mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances. The acquisition as a result of making the Offer would provide an opportunity for the Group to diversify its business and tap into the department stores business in Hong Kong. There may also be potential synergy effects for developing the property development and commercial operation of the Group leveraging on the experience of the group of Sincere in the department store operation by cooperating and/or utilising the properties held by the Group.

The making of the Offer is subject to the satisfaction or waiver (as the case may be) of certain pre-conditions. Among which, one of the pre-conditions requires the no-bid confirmation (the "No-bid Confirmation") having been issued by the Executive Director (the "Executive") of the Corporation Finance Division of the Securities and Futures Commission of Hong Kong and such confirmation not having been withdrawn. On 3 August 2020, the Executive has issued the No-Bid Confirmation.

The Offer, if and when made, will be extended to all shareholders of Sincere in accordance with the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Each of Win Dynamic Limited, the controlling shareholder of Sincere, The Sincere Life Assurance Company Limited, The Sincere Insurance & Investment Company, Limited and The Sincere Company (Perfumery Manufacturers), Limited, being the subsidiaries of Sincere, have executed irrevocable undertakings to the Company to accept the offer.



## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

---

### **REVIEW AND OUTLOOK (Continued)**

#### **Others (Continued)**

For further details, please refer to the joint announcements of the Company and Sincere dated 15 May 2020, 5 June 2020, 17 June 2020, 17 July 2020 and 4 August 2020 and the circular of the Company dated 23 July 2020. Further announcement(s) setting out the progress and any material developments in relation to the Offer will be made as and when necessary in accordance with the Listing Rules and the Takeovers Code and/or on a monthly basis.

### **LITIGATION AND CONTINGENT LIABILITIES**

---

Save as disclosed in note 23 to the condensed consolidated financial statements, the Group has no other litigation and contingent liabilities.

### **EVENTS AFTER REPORTING PERIOD**

---

Save as disclosed in note 24 to the condensed consolidated financial statements, the Group has no significant events after the reporting period up to the date of this interim report.

### **DIVIDENDS**

---

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers were as follows:

*Directors' interests in shares – Long position in the shares of the Company (the "Shares")*

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 2020, 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 2020.

## 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 2020, 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 (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, so far as known to the directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Long/ Short position	Capacity	Number of Shares/ underlying Shares held	Percentage of issued capital
MHL	Long	Beneficial owner	1,073,160,000	74.62%

Note:

As at 30 June 2020, 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 2020, the directors and chief executive of the Company were not aware of any person who had any interests or short positions in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

## 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 0.5% 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 2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2020
<b>Directors</b>								
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
<b>Directors' associates</b>								
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
<b>Other employees</b>								
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 21 to the condensed consolidated financial statements, no other directors had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2020.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

None of the directors of the Company 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 in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2020.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

For the six months ended 30 June 2020, 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 2020, the Group had a total workforce of 278, of whom 143, 121 and 14 were based in Hong Kong, the PRC and Japan. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and 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 2020.

## 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  
**Realord Group Holdings Limited**  
**Lin Xiaohui**  
*Chairman*

Hong Kong, 28 August 2020