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

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1196)**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **RESULTS**

The directors (the “Directors”) of Realord Group Holdings Limited (the “Company”) are pleased to present the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	<b>2016</b> <b>HK\$'000</b>
Revenue	4	<b>762,959</b>	209,784
Cost of sales		<b>(621,451)</b>	(118,785)
Gross profit		<b>141,508</b>	90,999
Other income and gains or losses	4	<b>199,413</b>	264,391
Selling and distribution expenses		<b>(5,730)</b>	(3,911)
Administrative expenses		<b>(128,387)</b>	(116,847)
Other expenses		<b>(9,704)</b>	(6,610)
Finance costs	6	<b>(30,819)</b>	(19,847)
Profit before tax	5	<b>166,281</b>	208,175
Income tax expense	7	<b>(55,060)</b>	(128,078)
Profit for the year		<b>111,221</b>	80,097

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)***For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Attributable to:			
Owners of the Company		<b>93,254</b>	80,097
Non-controlling interests		<b>17,967</b>	—
		<u><b>111,221</b></u>	<u>80,097</u>
Earnings per share			
Basic	9	<u><b>HK8.11 cents</b></u>	<u>HK6.95 cents</u>
Diluted	9	<u><b>HK8.09 cents</b></u>	<u>HK6.95 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Profit for the year	<u>111,221</u>	<u>80,097</u>
<b>Other comprehensive income (expense)</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Gain on property revaluation, net of income tax	<b>1,743</b>	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Loss on fair value changes on available-for-sale investments	<b>(2,055)</b>	–
Exchange differences arising on translation of foreign operations	<u>51,656</u>	<u>(29,465)</u>
Other comprehensive income (expense) for the year, net of income tax	<u>51,344</u>	<u>(29,465)</u>
Total comprehensive income for the year	<u><b>162,565</b></u>	<u><b>50,632</b></u>
Attributable to:		
Owners of the Company	<b>144,209</b>	50,632
Non-controlling interests	<u>18,356</u>	<u>–</u>
	<u><b>162,565</b></u>	<u><b>50,632</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		102,527	78,649
Prepaid lease payments		5,323	–
Investment properties		1,344,575	1,106,525
Goodwill		28,497	2,100
Other intangible asset		4,400	4,400
Finance lease receivables		4,688	6,401
Available-for-sale investments		11,789	13,844
Prepayments and deposits		11,630	36,460
Deferred tax asset		–	188
		<u>1,513,429</u>	<u>1,248,567</u>
<b>CURRENT ASSETS</b>			
Inventories		42,536	6,999
Trade receivables	10	310,702	127,171
Receivables arising from securities broking	10	130,067	119,560
Prepaid lease payments		120	–
Prepayments, deposits and other receivables		38,892	16,644
Finance lease receivables		2,283	2,619
Tax recoverable		2,674	42
Held for trading investments		55,991	18,648
Cash held on behalf of clients		17,321	11,634
Restricted cash		–	4,171
Bank balances and cash		61,477	51,791
		<u>662,063</u>	<u>359,279</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

*As at 31 December 2017*

		<b>2017</b>	2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>67,543</b>	5,548
Payables arising from securities broking	11	<b>37,744</b>	19,884
Other payables and accruals		<b>53,260</b>	20,221
Bank borrowings and overdrafts		<b>255,525</b>	250,288
Amount due to a related party		<b>37,531</b>	—
Tax payable		<b>9,898</b>	3,240
		<b>461,501</b>	299,181
<b>NET CURRENT ASSETS</b>		<b>200,562</b>	60,098
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,713,991</b>	1,308,665
<b>EQUITY</b>			
Share capital	12	<b>115,075</b>	115,000
Reserves		<b>955,317</b>	783,097
Equity attributable to owners of the Company		<b>1,070,392</b>	898,097
Non-controlling interests		<b>33,606</b>	—
		<b>1,103,998</b>	898,097
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>231,305</b>	168,972
Loans from ultimate holding company		<b>378,688</b>	241,596
		<b>609,993</b>	410,568
		<b>1,713,991</b>	1,308,665

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, the building classified as property, plant and equipment, available-for-sale investments and held-for-trading investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

### *New and revised HKFRSs in issue but not yet effective*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycles <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

### 3. OPERATING SEGMENT INFORMATION

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

The Group is organised into business units based on their products and services and has seven reportable 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 manufactures of consumer products (“Hangtag Segment”);
- (c) distribution and sale of motor vehicles parts (“Motor Vehicle Parts Segment”);
- (d) provision of securities brokerage services and margin financing (“Financial Services Segment”);
- (e) trading of electronic products and computer components (“Trading Segment”);
- (f) property investment (“Property Investment Segment”); and
- (g) sourcing, dismantling and trading of scrap materials (“Environmental Protection Segment”).

As a result of acquisition of a subsidiary by the Group during the year ended 31 December 2017, management of the Group has reassessed the Group’s segment reporting and decided that for financial reporting purposes, there is a new operating and reportable segment of the Group.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income, certain other income, realised/unrealised gain/loss on fair value changes on held for trading investments, revaluation gain/deficit on property, plant and equipment, corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### 3. OPERATING SEGMENT INFORMATION (Continued)

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

#### Year ended 31 December 2017

	Commercial Printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Trading HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Segment revenue								
Sales to external customers	70,040	2,639	86,867	10,797	-	20,206	572,410	762,959
Intersegment sales	657	-	-	9	-	-	-	666
	70,697	2,639	86,867	10,806	-	20,206	572,410	763,625
Elimination of intersegment sales								(666)
Revenue								762,959
Segment results	(8,119)	27	604	2,750	(325)	169,187	52,309	216,433
Bank interest income								126
Other income								1,663
Realised gain on fair value changes on held for trading investments								2,015
Unrealised gain on fair value changes on held for trading investments								40,349
Revaluation gain on property, plant and equipment								2,940
Corporate expenses								(66,426)
Finance costs								(30,819)
Profit before tax								166,281



### 3. OPERATING SEGMENT INFORMATION (Continued)

	Commercial Printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Trading HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
Segment assets	12,135	1,122	126,318	160,353	74	1,349,360	310,503	1,959,865
Corporate and unallocated assets								215,627
Total assets								<u>2,175,492</u>
Segment liabilities	12,674	535	18,537	37,890	-	5,049	107,085	181,770
Corporate and unallocated liabilities								889,724
Total liabilities								<u>1,071,494</u>
Other segment information:								
Depreciation	1,695	105	325	153	244	36	33	2,591
Gain on fair value changes of investment properties	-	-	-	-	-	(155,749)	-	(155,749)
Loss on disposal of property, plant and equipment	-	-	440	-	-	-	-	440
Capital expenditure (Note)	<u>1,377</u>	<u>-</u>	<u>1,010</u>	<u>2</u>	<u>2,596</u>	<u>28,180</u>	<u>347</u>	<u>33,512</u>

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

### 3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Commercial Printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Trading HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
<b>Segment revenue</b>								
Sales to external customers	72,746	8,487	100,644	10,864	–	17,043	–	209,784
Intersegment sales	<u>474</u>	<u>–</u>	<u>–</u>	<u>25</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>499</u>
	73,220	8,487	100,644	10,889	–	17,043	–	210,283
Elimination of intersegment sales								<u>(499)</u>
Revenue								<u><u>209,784</u></u>
Segment results	907	(424)	5,010	2,398	(392)	282,420	–	289,919
<b>Reconciliation</b>								
Bank interest income								993
Realised loss on fair value changes on held for trading investments								(7,936)
Unrealised gain on fair value changes on held for trading investments								6,977
Revaluation deficit on property, plant and equipment								(17,261)
Corporate expenses								(44,670)
Finance costs								<u>(19,847)</u>
Profit before tax								<u><u>208,175</u></u>

### 3. OPERATING SEGMENT INFORMATION (Continued)

	Commercial Printing HK\$'000	Hangtag HK\$'000	Motor vehicle parts HK\$'000	Financial services HK\$'000	Trading HK\$'000	Property investment HK\$'000	Environmental protection HK\$'000	Total HK\$'000
<b>Segment assets</b>	12,417	1,921	137,828	146,530	103	1,136,472	-	1,435,271
Corporate and unallocated assets								<u>172,575</u>
<b>Total assets</b>								<u><u>1,607,846</u></u>
<b>Segment liabilities</b>	12,882	1,007	55,115	20,994	10	4,831	-	94,839
Corporate and unallocated liabilities								<u>614,910</u>
<b>Total liabilities</b>								<u><u>709,749</u></u>
Other segment information:								
Depreciation	1,560	28	243	161	31	59	-	2,082
Gain on fair value changes of investment properties	-	-	-	-	-	(270,479)	-	(270,479)
Gain on disposal of items of property, plant and equipment	-	(5)	-	-	-	-	-	(5)
Capital expenditure*	<u>556</u>	<u>469</u>	<u>39</u>	<u>42</u>	<u>-</u>	<u>309,597</u>	<u>-</u>	<u>310,703</u>

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

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

Segment liabilities exclude bank borrowings and overdraft, tax payable, deferred tax liabilities, amount due to a related party, 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.

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

##### (a) Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
Hong Kong	117,080	132,368
Mainland China	645,312	74,990
Other countries	567	2,426
	<u>762,959</u>	<u>209,784</u>

The revenue information above is based on the locations of the customers.

##### (b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong	702,984	450,820
Mainland China	786,822	770,675
	<u>1,489,806</u>	<u>1,221,495</u>

The non-current assets information above is based on the locations of the assets and excludes non-current portion of deposits of HK\$7,146,000 (2016: HK\$6,827,000), available-for-sale investments of HK\$11,789,000 (2016: HK\$13,844,000) and finance lease receivables of HK\$4,688,000 (2016: HK\$6,401,000).

#### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017 HK\$'000	2016 HK\$'000
Customer A <sup>1</sup>	N/A *	25,934
Customer B <sup>1</sup>	N/A *	24,663
Customer C <sup>2</sup>	211,051	—
Customer D <sup>2</sup>	77,680	—
	<u>288,731</u>	<u>50,597</u>

<sup>1</sup> Revenue from Motor Vehicle Parts Segment

<sup>2</sup> Revenue from Environmental Protection Segment

\* Less than 10% of the Group's revenue

#### 4. REVENUE, OTHER INCOME AND GAINS OR LOSSES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>		
Sales of goods		
– Motor vehicle parts	86,867	100,644
– Hangtags, labels, shirt paper boards and plastic bags	2,639	8,487
– Scrap materials	572,410	–
	<u>661,916</u>	<u>109,131</u>
Rendering of services	70,040	72,746
Commission income from securities broking	1,927	2,311
Interest income from margin financing	8,870	8,553
Gross rental income	20,206	17,043
	<u>762,959</u>	<u>209,784</u>
<b>Other income</b>		
Bank interest income	126	993
Finance lease interest income	657	662
Others	1,663	365
	<u>2,446</u>	<u>2,020</u>
<b>Gains or losses</b>		
Gain on fair value changes of investment properties	155,749	270,479
(Loss) gain on disposal of property, plant and equipment	(440)	5
Realised gain (loss) on fair value changes on held for trading investments	2,015	(7,936)
Unrealised gain on fair value changes on held for trading investments	40,349	6,977
Net exchange (loss) gain	(3,470)	10,180
Revaluation gain (deficit) on property, plant and equipment	2,940	(17,261)
Impairment loss on trade receivables	(176)	(73)
	<u>196,967</u>	<u>262,371</u>
	<u>199,413</u>	<u>264,391</u>

## 5. PROFIT BEFORE TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation of property, plant and equipment	10,297	9,085
Amortisation of prepaid lease payments	116	—
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	178	276
Minimum lease payments under operating leases	22,301	21,113
Auditor's remuneration	2,213	1,759
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	58,808	46,543
Pension scheme contributions	1,856	2,634
Equity-settled share-based payment expenses	2,064	6,111
	<u>62,728</u>	<u>55,288</u>
Cost of inventories recognised as expenses	600,133	97,147
Cost of services provided	<u>21,318</u>	<u>21,638</u>

## 6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on loans from ultimate holding company	24,339	16,234
Interest on bank loans and overdrafts	<u>6,480</u>	<u>3,613</u>
	<u>30,819</u>	<u>19,847</u>

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during both years.

Under the Law of the People's Republic of China 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 years.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	5,332	704
Under/(over) provision in prior years	80	(14)
Current tax – Mainland China		
Charge for the year	1,389	1,666
Deferred tax	<u>48,259</u>	<u>125,722</u>
Total tax charge for the year	<u><u>55,060</u></u>	<u><u>128,078</u></u>

## 8. DIVIDEND

The directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

## 9. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	<u>93,254</u>	<u>80,097</u>
	<b>Number of shares</b>	
	2017	2016
<b>Shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	1,150,237,699	1,152,614,130
Effect of dilutive potential ordinary shares:		
Share options	1,143,384	403,551
Contingent shares in relation to acquisition of Realord Environmental Protection Industrial Company Limited	<u>1,471,918</u>	<u>—</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	<u>1,152,853,001</u>	<u>1,153,017,681</u>



# **10. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	310,702	127,171
Impairment	—	—
	<u>310,702</u>	<u>127,171</u>
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients' accounts receivable	21,225	9,033
Loans to margin clients	108,842	110,527
	<u>130,067</u>	<u>119,560</u>
Receivables arising from securities broking	<u>130,067</u>	<u>119,560</u>
Total trade receivables and receivables arising from securities broking	<u><u>440,769</u></u>	<u><u>246,731</u></u>

An aged 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 30 days	151,582	42,014
31 to 60 days	23,912	9,257
61 to 90 days	120,984	7,473
Over 90 days	35,449	77,460
	<u>331,927</u>	<u>136,204</u>
Loans to margin clients ( <i>Note</i> )	<u>108,842</u>	<u>110,527</u>
	<u><u>440,769</u></u>	<u><u>246,731</u></u>

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

*Note:* The loans to margin clients are secured by the underlying pledged securities, are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as, in the opinion of the Directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing. As at 31 December 2017, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK\$331,742,000 (2016: HK\$326,083,000).

**11. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<u>67,543</u>	<u>5,548</u>
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients' accounts payable	35,347	19,667
Clearing house	<u>2,397</u>	<u>217</u>
Payables arising from securities broking	<u>37,744</u>	<u>19,884</u>
Total trade payables and payables arising from securities broking	<u><u>105,287</u></u>	<u><u>25,432</u></u>

An aged analysis of trade payables and payables arising from securities broking as at the end of the reporting period, based on invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current to 30 days	39,329	21,091
31 to 60 days	58,335	914
61 to 90 days	4,456	368
Over 90 days	<u>3,167</u>	<u>3,059</u>
	<u><u>105,287</u></u>	<u><u>25,432</u></u>

## 11. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

The trade payables are non-interest-bearing and are normally settled on 60 day terms.

Included in the cash clients' accounts payable arising from dealing in securities conducted in the ordinary course of business is an amount of HK\$17,321,000 (2016: HK\$12,269,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2017, the cash clients' accounts payable included an amount of HK\$429,000 (2016: HK\$132,000) 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 aged analysis is disclosed as, in the opinion of the Directors, an aged analysis is not meaningful in view of the nature of the business of dealing in securities.

## 12. SHARE CAPITAL

### Shares

	2017 HK\$'000	2016 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,150,751,398 (2016: 1,150,001,398) ordinary shares of HK\$0.10 each	<u>115,075</u>	<u>115,000</u>

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 2016	1,153,491,398	115,349
Repurchase and cancellation of shares ( <i>Note (a)</i> )	<u>(3,490,000)</u>	<u>(349)</u>
At 31 December 2016	1,150,001,398	115,000
Issue of shares ( <i>Note (b)</i> )	<u>750,000</u>	<u>75</u>
At 31 December 2017	<u>1,150,751,398</u>	<u>115,075</u>

## **12. SHARE CAPITAL (Continued)**

### **Shares (Continued)**

*Note:*

- (a) During the year 31 December 2016, the Company repurchased a total of 3,490,000 of its own shares on the Stock Exchange for a total consideration of HK\$17,556,000. The purchased shares were cancelled on 30 September 2016 and the premium paid on the repurchase of HK\$17,207,000 was charged to the share premium account as set out in the consolidated statement of changes in equity.
- (b) During the year 31 December 2017, the Company issued 750,000 shares for a consideration of HK\$3,832,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016 for the acquisition of Environmental Protection Segment. The new shares rank *pari passu* with existing shares in all respects.

## **13. CONTINGENT LIABILITIES**

冠彰電器(深圳)有限公司 (Guang Zhang Electronic (Shenzhen) Co., Ltd. or “Guang Zhang”), a subsidiary of the Group, is currently a defendant in a lawsuit brought by a third party alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon. The Directors, based on the legal advice from the Group’s external legal counsel, believe that Guan Zhang has a valid defense against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

## **14. EVENT AFTER THE REPORTING PERIOD**

On 18 January 2018, the Company (as purchaser) and Dr. Lin Xiaohui and Madam Su Jiaohua (as vendors), Directors of the Company, entered into a sale and purchase agreement, pursuant to which (i) the Company has conditionally agreed to acquire the entire 100% equity interest in Realord Investment Limited and its subsidiaries through acquisition of entire 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited (the “Target Group”), and (ii) the Company has also conditionally agreed to provide the Shareholder’s Loan to the Target Group for the settlement of the Target Group’s outstanding debts as at the date of completion on a dollar for dollar basis.

Details of the acquisition are set out in the Company’s circular dated 22 March 2018.

## **15. COMPARATIVE FIGURES**

Other operating expenses for the year ended 31 December 2016 have been reclassified to other income and gains or losses, and professional fees previously included in administrative expenses for the year ended 31 December 2016 have been reclassified to other expenses to conform with current year’s presentation. These reclassification adjustments have no impact on the retained profits as at 31 December 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The principal activities of the Group during the year under review included the provision of financial printing, digital printing and other related services (the “Commercial Printing Segment”), sale of hangtags, labels, shirt paper boards and plastic bags (the “Hangtag Segment”), distribution and sale of motor vehicle parts (the “Motor Vehicle Parts Segment”), provision of securities brokerage services and margin financing (the “Financial Services Segment”), trading of electronic products and computer components (the “Trading Segment”), property investment (the “Property Investment Segment”) and Sourcing, dismantling and trading of scrap materials (the “Environmental Protection Segment”). The Environmental Protection Segment was a new segment of the Group as a result of the acquisition of Realord Environmental Protection Industrial Company Limited (“Realord Environmental Protection”) during the year under review.

## **FINANCIAL REVIEW**

### **Overview**

During the year under review, the Group recorded a total revenue of approximately HK\$763.0 million, representing a huge increase of approximately 263.7% as compared to that of the last year of approximately HK\$209.8 million. The Group recorded a profit of approximately HK\$111.2 million for the year as compared to a profit of HK\$80.1 million for the last year.

The Group noted a huge increase in revenue of approximately 263.7% during the year under review, which was primarily due to the Group consolidating the operating performance attributable to the Environmental Protection Segment amounted to approximately HK\$572.4 million since the acquisition of Realord Environmental Protection. Revenue arising from the Commercial Printing Segment, Financial Services Segment and Property Investment Segment during the year, which were approximately HK\$70.0 million, HK\$10.8 million and HK\$20.2 million respectively, were relatively stable as compared to that of the last year. However, the increase in revenue of the Group was partially offset by the decrease in revenue in the Motor Vehicle Parts Segment and the Hangtag Segment. Due to the deteriorating operating environment of the Hangtag Segment, the revenue of this segment decreased significantly by 69.4% from HK\$8.5 million in 2016 to HK\$2.6 million in 2017. Motor Vehicle Parts Segment recorded a decrease in revenue by approximately 13.6% to HK\$86.9 million during the year under review, which was attributable to the Group tightened its credit control policy.

An increase in profit attributable to the equity holders was noted in 2017. The increase in profit was mainly due to consolidating revenue arising from the Environmental Protection Segment of approximately HK\$572.4 million (2016: Nil) and the fair value gains on investment properties of approximately HK\$155.7 million (2016: HK\$270.5 million), which was partly offset by the deferred taxation imposed on the fair value gains of approximately HK\$48.8 million (2016: HK\$125.1 million) as well as the finance costs of approximately HK\$30.8 million (2016: HK\$19.8 million). The increase in finance costs was mainly due to the increase in bank borrowings and loans from the ultimate holding company during the year.

## **Financial review**

### *Commercial Printing Segment*

The Commercial Printing Segment contributed a revenue of approximately HK\$70.0 million, representing 9.2% of the Group's total revenue during the year. There was a slight decrease in revenue by 3.7% to approximately HK\$70.0 million as compared to that of the last year of approximately HK\$72.7 million. Moreover, due to the increase in the operation cost, this segment generated an operating loss of approximately HK\$8.1 million as compared to the operating profit of approximately HK\$0.9 million for the last year.

### *Motor Vehicle Parts Segment*

The Motor Vehicle Parts Segment contributed a revenue of approximately HK\$86.9 million, representing 11.4% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a decrease by 13.6% to approximately HK\$86.9 million as compared to the revenue of the last year of approximately HK\$100.6 million. In addition, due to the increase in administrative expenses and finance cost for expansion of the operation, the operating profit decreased to approximately HK\$0.6 million for the year as compared to approximately HK\$5.0 million for the last year.

### *Financial Services Segment*

The Financial Services Segment generated a revenue of approximately HK\$10.8 million, representing 1.4% of the Group's total revenue during the year. The Financial Services Segment recorded a similar level of revenue of approximately HK\$10.8 million as compared to approximately HK\$10.9 million for the last year. The revenue level is stable and the segment recorded an operating profit of approximately HK\$2.8 million for the year as compared to approximately HK\$2.4 million for the last year.

### *Hangtag Segment*

The Hangtag Segment contributed a revenue of approximately HK\$2.6 million, representing 0.3% of the Group's total revenue during the year. The revenue from the Hangtag Segment decreased by 69.4% as compared to the revenue of the last year of approximately HK\$8.5 million. The decrease was mainly resulted from less orders received from customers, which were mainly from the garment industry. Through implementation of cost control measures, included outsourcing the manufacturing processes, the segment became breakeven for the year as compared to the operating loss of approximately HK\$0.4 million for the last year.

### *Environmental Protection Segment*

The Group commenced the operations in the Environmental Protection Segment subsequent to the completion of acquisition of Realord Environmental Protection in February 2017, which engaged in sourcing, dismantling and trading of scrap materials in the PRC. The Environmental Protection Segment generated a revenue of approximately HK\$572.4 million, representing 75.0% of the Group's total revenue since the Group consolidating result of Realord Environmental Protection during the year. The segment recorded an operating profit of approximately HK\$52.3 million during the year.

### *Property Investment Segment*

The Property Investment Segment recorded a revenue of approximately HK\$20.2 million during the year, representing 2.6% of the total revenue of the Group. The revenue from this business increased by 18.8% to approximately HK\$20.2 million as compared to approximately HK\$17.0 million in the last year. The increase was due to more rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone during early 2016, which contributed additional revenue to the business during the year. Due to the reduced fair value gains on investment properties recorded during the year amounted to approximately HK\$155.7 million (2016: HK\$270.5 million), the profit from this business decrease to approximately HK\$169.2 million during the year as compared to the profit of approximately HK\$282.4 million in the last year.

### *Others*

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net realised profit of approximately HK\$2.0 million during the year. As at 31 December 2017, the fair value of the financial assets amounted to approximately HK\$56.0 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. Its cash and bank balances, restricted cash and pledged time deposits as at 31 December 2017 amounted to approximately HK\$61.5 million (2016: HK\$56.0 million) in aggregate.

Its gearing ratio as at 31 December 2017 was 59.2% (2016: 54.8%), based on the interest-bearing borrowings of approximately HK\$634.2 million (2016: HK\$491.9 million) and total equity of the Group of HK\$1,070.4 million (2016: HK\$898.1 million).

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 requirements 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 RMB25.8 million reserved for operating and treasury purpose as at 31 December 2017.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2017.

### **Financial Guarantees and Charges on Assets**

As at 31 December 2017, corporate guarantees amounting to approximately HK\$301.5 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain properties and leasehold land and buildings owned by the Group with a total revalued value of approximately HK\$440.1 million and HK\$72.2 million respectively.



As at 31 December 2016, corporate guarantees amounting to approximately HK\$291.5 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on certain properties owned by the Group with a total revalued value of approximately HK\$442.1 million.

## **THE BUSINESS REVIEW AND OUTLOOK**

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

### **Commercial Printing Segment**

In view of (i) the fierce competition in the commercial printing industry in 2017 as evidenced by the price wars with competitors during the year and the number of commercial printing companies newly set up in 2017; (ii) the uncertainties for the success rate of the existing IPO engagements; and (iii) that the capital investment for the business development of the IPO services being not proportional to the benefits generated to the Group during the year under review, the Directors had accepted a management buyout in respect of the commercial printing business and had entered into an agreement to dispose of the subsidiary engaged in the commercial printing business in November 2017. Later in December 2017, amendments to the listing requirements with respect to listing requirements for the new listing applicants of the Main Board and the Growth Enterprise Market were announced by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Directors consider that such amendments have served to clarify the expected standards of the Stock Exchange in respect of the financial requirements of the new listing applicants, and thus settled the worries of the Group as to the market conjectures about a more stringent regime to be implemented by the Stock Exchange.

Accordingly, the Directors resolved to continue the commercial printing business while keep reviewing and assessing the risks, benefits and prospects thereof along the operations. The Directors had entered into a termination agreement in this regard in January 2018.

### **Motor Vehicle Parts Segment**

The Group has set up a retail store in Hong Kong in May 2017 for the Motor Vehicles Parts Segment. The Group is now considering to set up a retail store in Guangzhou, the People's Republic of China (the "PRC") with a view to enhancing the sales and distribution network of the Motor Vehicle Parts Segment.

## **Financial Services Segment**

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the “Security Company”) in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Securities Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the “CSRC”). The application for the approval was filed to the CSRC in July 2016 and is under review as at the reporting date. In respect of the finance lease and operating lease services in the PRC, the Group has commenced minimal scale of operation in 2017 and it is expected to maintain a similar scale of operation in 2018 subject to the market situation.

## **Hangtag Segment**

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

## **Environmental Protection Segment**

On 5 September 2016, the Group and Fortune Victory Asia Corporation (“Fortune Victory”), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection at a maximum consideration of HK\$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited\*) (“Tong Bao”), which is principally engaged in the business of sourcing, dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2016 was not less than HK\$15,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2016 amounted to approximately HK\$29,257,000. Accordingly, the target profit for the financial year ended 31 December 2016 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in September 2017.

It is the Group's plan to develop a processing plant for recycling and production of copper and aluminum ingots (the "Processing Plant") in 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park\*) located in Wuzhou, Guangxi Province, the PRC, with target annual production capacity of 100,000 tonnes. The Group will start the construction of the Processing Plant once the acquisition of the land for such purpose is completed. It is expected that the land acquisition will be completed in mid-2018 and the construction will commence in the third quarter of 2018. The Board believes that the Processing Plant will become a driver for a long-term growth of the Group's business.

### **Property Investment Segment**

In January 2018, the Group entered into a conditional acquisition agreement to acquire Realord Ventures Limited and Manureen Ventures Limited, the principal assets of which include properties in Shenzhen, the PRC. The Directors are of the view that the acquisition would largely enhance the Group's portfolio of investment properties and strengthen the property investment business of the Group by creating additional stream of stable rental income and potential capital gain for the Group.

### **Trading Segment**

Same as previous financial year, the Group did not conduct any transactions under this segment during the year under review due to thin margin.

### ***Others***

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for 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. The Qiankeng property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2018, subject to government schedules, and thereafter the redevelopment works will commence.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2017.

## **AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed with the management about the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control system and financial reporting matters, including the review of consolidated financial statements of the Group for the year ended 31 December 2017.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2017.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Company's website (<http://www.realord.com.hk>) and the Stock Exchange's website (<http://www.hkexnews.hk>). The annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

By Order of the Board

**Lin Xiaohui**

*Chairman*

Hong Kong, 31 March 2018

*As at the date of this announcement, the executive Directors of the Company are Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong and the independent non-executive Directors are Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue.*