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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 2018**

### **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 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

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

*For the year ended 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$’000</b>	<b>2017</b> <b>HK\$’000</b>
Revenue	3		
Goods and services		<b>782,622</b>	733,883
Rental income		<b>19,532</b>	20,206
Interest		<b>8,885</b>	8,870
		<hr/>	<hr/>
Total revenue		<b>811,039</b>	762,959
Cost of sales		<b>(629,311)</b>	(621,451)
		<hr/>	<hr/>
Gross profit		<b>181,728</b>	141,508
Other income	4a	<b>3,801</b>	2,434
Other gains and losses	4b	<b>310,319</b>	41,406
Impairment losses, net of reversal		<b>(27,168)</b>	(176)
Gain on fair value changes of investment properties		<b>671,422</b>	155,749
Selling and distribution expenses		<b>(10,108)</b>	(5,730)
Administrative expenses		<b>(145,086)</b>	(128,387)
Other expenses		<b>(3,551)</b>	(9,704)
Share of result of an associate		<b>(1,436)</b>	—
Finance costs	6	<b>(423,972)</b>	(30,819)
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Profit before tax		555,949	166,281
Income tax expense	7	<u>(172,238)</u>	<u>(55,060)</u>
Profit for the year	5	<u>383,711</u>	<u>111,221</u>
Attributable to:			
Owners of the Company		363,282	93,254
Non-controlling interests		<u>20,429</u>	<u>17,967</u>
		<u>383,711</u>	<u>111,221</u>
Earnings per share			
Basic (HK cents)	9	<u>26.89</u>	<u>8.11</u>
Diluted (HK cents)	9	<u>26.82</u>	<u>8.09</u>

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

*For the year ended 31 December 2018*

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year	<u><b>383,711</b></u>	<u>111,221</u>
<b>Other comprehensive (expense) income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on property revaluation	<b>1,407</b>	2,324
Income tax relating to gain on property revaluation	<b>(352)</b>	(581)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations:		
– subsidiaries	<b>(462,429)</b>	51,656
– an associate	<b>(57)</b>	–
Loss on fair value changes on available-for-sale investments	<u>–</u>	<u>(2,055)</u>
Other comprehensive (expense) income for the year, net of income tax	<u><b>(461,431)</b></u>	<u>51,344</u>
Total comprehensive (expense) income for the year	<u><b>(77,720)</b></u>	<u><b>162,565</b></u>
Attributable to:		
Owners of the Company	<b>(98,584)</b>	144,209
Non-controlling interests	<u><b>20,864</b></u>	<u>18,356</u>
	<u><b>(77,720)</b></u>	<u><b>162,565</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>100,521</b>	102,527
Prepaid lease payments		<b>4,968</b>	5,323
Investment properties		<b>9,081,879</b>	1,344,575
Goodwill		<b>28,497</b>	28,497
Other intangible assets		<b>13,369</b>	4,400
Interest in an associate		<b>66,122</b>	—
Equity instrument at fair value through other comprehensive income		<b>31,048</b>	—
Finance lease receivables		—	4,688
Available-for-sale investments		—	11,789
Prepayments, deposits and other receivables		<b>82,930</b>	11,630
		<b>9,409,334</b>	1,513,429
<b>CURRENT ASSETS</b>			
Inventories		<b>146,170</b>	42,536
Trade receivables	10	<b>455,015</b>	310,702
Receivables arising from securities broking	10	<b>99,832</b>	130,067
Prepaid lease payments		<b>114</b>	120
Prepayments, deposits and other receivables		<b>306,112</b>	38,892
Finance lease receivables		—	2,283
Tax recoverable		<b>3,463</b>	2,674
Financial assets at fair value through profit or loss		<b>96,631</b>	55,991
Cash held on behalf of clients		<b>8,454</b>	17,321
Bank balances and cash		<b>896,544</b>	61,477
		<b>2,012,335</b>	662,063

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

*As at 31 December 2018*

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>223,016</b>	67,543
Payables arising from securities broking	11	<b>19,645</b>	37,744
Contract liabilities		<b>4,832</b>	–
Other payables and accruals		<b>100,282</b>	53,260
Bank borrowings and overdrafts		<b>496,953</b>	255,525
Amounts due to related parties		<b>78,524</b>	37,531
Tax payable		<b>10,583</b>	9,898
		<b>933,835</b>	461,501
<b>NET CURRENT ASSETS</b>		<b>1,078,500</b>	200,562
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,487,834</b>	1,713,991
<b>EQUITY</b>			
Share capital	12	<b>143,571</b>	115,075
Reserves		<b>2,734,877</b>	955,317
Equity attributable to owners of the Company		<b>2,878,448</b>	1,070,392
Non-controlling interests		<b>53,978</b>	33,606
		<b>2,932,426</b>	1,103,998
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>377,442</b>	231,305
Loans from ultimate holding company		<b>821,460</b>	378,688
Promissory notes		<b>1,492,460</b>	–
Bank borrowings		<b>4,864,046</b>	–
		<b>7,555,408</b>	609,993
		<b>10,487,834</b>	1,713,991

*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 certain properties and financial instruments 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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

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

## **2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**

### **New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)**

#### **2.1 HKFRS 15 Revenue from Contracts with Customers**

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

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

#### ***Summary of effects arising from initial application of HKFRS 15***

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

As at 1 January 2018, advances from customers of HK\$3,050,000 in respect of services contracts from the rendering of financial printing, digital printing and other related services previously included in other payables and accruals were reclassified to contract liabilities.

#### **2.2 HKFRS 9 Financial Instruments**

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

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

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

(a) *Available-for-sale investments*

*From available-for-sale investments to FVTPL*

At the date of initial application of HKFRS 9, the Group's investments in club and school debentures of HK\$11,789,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value loss of HK\$2,055,000 relating to those investments previously carried at fair value were transferred from the assets revaluation reserve to retained profits as at 1 January 2018.

(b) *Impairment under ECL model*

As at 1 January 2018, the additional credit loss allowance of HK\$15,712,000 has been recognised against retained profits. The additional loss allowance is charged against trade receivables and receivables arising from securities broking.

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

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</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 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

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

<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 a date to be determined.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.



### 3. SEGMENT INFORMATION

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

The Group is organised into business units based on their products and services and has seven operating segments as follows:

- (a) provision of financial printing, digital printing and other related services (“Commercial Printing Segment”);
- (b) sales of hangtags, labels, shirt paper boards, and plastic bags principally to manufacturers of consumer products (“Hangtag Segment”);
- (c) distribution and sale of motor vehicle parts (“Motor Vehicle Parts Segment”);
- (d) provision of advisory, asset management, 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) dismantling and trading of scrap materials (“Environmental Protection Segment”).

During the year, the management considered the business unit of Trading Segment is minimal to the Group and no revenue was generated for consecutive years. Thus, the Group would not disclose the Trading Segment separately. Hangtag Segment does not meet any quantitative thresholds for reportable segments but this segment is separately disclosed as the CODM considers that the information about the segment would be useful to users of the consolidated financial statements.

## Segment revenues and results

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

### Year ended 31 December 2018

	Commercial printing <i>HK\$'000</i>	Hangtag <i>HK\$'000</i>	Motor vehicle parts <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>							
Sales to external customers	82,370	996	127,095	10,272	19,532	570,774	811,039
Intersegment sales	<u>755</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>290</u>	<u>-</u>	<u>1,060</u>
	83,125	996	127,095	10,287	19,822	570,774	812,099
Elimination of intersegment sales							<u>(1,060)</u>
Revenue							<u><u>811,039</u></u>
Segment results	2,328	(74)	7	(20,346)	316,199	67,340	365,454
Bank interest income							842
Other income							1,513
Net foreign exchange gain							267,662
Unrealised fair value gain on financial assets at FVTPL							35,063
Revaluation deficit on property, plant and equipment							(361)
Realised gain on disposal of financial assets at FVTPL							10,751
Corporate expenses							(49,707)
Finance costs							<u>(75,268)</u>
Profit before tax							<u><u>555,949</u></u>

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

Year ended 31 December 2017

	Commercial printing <i>HK\$'000</i>	Hangtag <i>HK\$'000</i>	Motor vehicle parts <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>							
Sales to external customers	70,040	2,639	86,867	10,797	20,206	572,410	762,959
Intersegment sales	<u>657</u>	<u>–</u>	<u>–</u>	<u>9</u>	<u>–</u>	<u>–</u>	<u>666</u>
	70,697	2,639	86,867	10,806	20,206	572,410	763,625
Elimination of intersegment sales							<u>(666)</u>
Revenue							<u><u>762,959</u></u>
Segment results	(8,119)	27	604	2,750	169,187	52,309	216,758
Bank interest income							126
Other income							1,663
Net foreign exchange loss							(11,414)
Unrealised fair value gain on held for trading investments							40,349
Revaluation gain on property, plant and equipment							2,940
Realised gain on disposal of held for trading investments							2,015
Corporate expenses							(55,337)
Finance costs							<u>(30,819)</u>
Profit before tax							<u><u>166,281</u></u>

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, unrealised fair value gain on financial assets at FVTPL/held for trading investment, realised gain on disposal of financial assets at FVTPL/held for trading investment, net foreign exchange gain/loss, revaluation deficit/gain on property, plant and equipment, corporate expenses and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### 3. SEGMENT INFORMATION (Continued)

#### Geographical information

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong	136,231	117,080
The PRC	673,084	645,312
Other countries	1,724	567
	<u>811,039</u>	<u>762,959</u>

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

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

	2018 HK\$'000	2017 HK\$'000
Hong Kong	564,559	702,984
The PRC	8,802,328	786,822
	<u>9,366,887</u>	<u>1,489,806</u>

The non-current assets information above is based on the locations of the assets and excludes non-current portion of financial instruments and certain deposits.

**4a. OTHER INCOME**

	2018 HK\$'000	2017 HK\$'000
Bank interest income	842	126
Finance lease interest income	330	657
Interest income on loan receivables	963	—
Government grant	839	—
Others	827	1,651
	<u>3,801</u>	<u>2,434</u>

**4b. OTHER GAINS AND LOSSES**

	2018 HK\$'000	2017 HK\$'000
Loss on disposal of property, plant and equipment	(61)	(428)
Unrealised fair value gain on financial assets at FVTPL/held for trading investments	35,063	40,349
Realised gain on disposal of financial assets at FVTPL/held for trading investments	10,751	2,015
Net foreign exchange gain (loss)	264,927	(3,470)
Revaluation (deficit) gain on property plant and equipment	(361)	2,940
	<u>310,319</u>	<u>41,406</u>

**5. PROFIT FOR THE YEAR**

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

	2018 HK\$'000	2017 HK\$'000
Depreciation of property, plant and equipment	11,958	10,297
Amortisation of prepaid lease payments	103	116
Minimum lease payments under operating leases	23,138	22,301
Auditor's remuneration	2,771	2,198
Employee benefits expense (including directors' remuneration)		
Wages and salaries	57,458	50,653
Discretionary bonus	11,420	20,143
Pension scheme contributions	2,711	1,910
Equity-settled share-based payment expenses	—	3,813
	<u>71,589</u>	<u>76,519</u>
Cost of inventories recognised as expenses	<u>608,868</u>	<u>600,133</u>

## 6. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest on loans from ultimate holding company	65,232	24,339
Interest on bank borrowings and overdrafts	229,826	6,480
Interest on promissory notes	128,914	–
	<u>423,972</u>	<u>30,819</u>

## 7. INCOME TAX EXPENSE

### Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

### The PRC

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

	2018 HK\$'000	2017 HK\$'000
Current tax – Hong Kong		
Charge for the year	13,030	5,332
Underprovision in prior years	919	80
Current tax – The PRC		
Charge for the year	1,829	1,389
Overprovision in prior years	(1,694)	–
Deferred tax	<u>158,154</u>	<u>48,259</u>
Total tax charge for the year	<u>172,238</u>	<u>55,060</u>

## 8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

## 9. EARNINGS PER SHARE

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

	2018 HK\$'000	2017 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	<u>363,282</u>	<u>93,254</u>
	<b>Number of shares</b>	
	2018	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	1,350,887,946	1,150,237,699
Effect of dilutive potential ordinary shares:		
Share options	1,259,625	1,143,384
Contingently issuable shares in relation to acquisition of Environmental Protection Segment	<u>2,500,000</u>	<u>1,471,918</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	<u>1,354,647,571</u>	<u>1,152,853,001</u>

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

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:

	2018 HK\$'000	2017 HK\$'000
Current to 30 days	261,782	130,357
31 to 60 days	82,485	23,912
61 to 90 days	44,651	120,984
Over 90 days	66,097	35,449
	<u>455,015</u>	<u>310,702</u>
Cash clients account receivable	10,774	21,225
Loans to margin clients	89,058	108,842
	<u>99,832</u>	<u>130,067</u>
	<u>554,847</u>	<u>440,769</u>

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

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

	2018 HK\$'000	2017 HK\$'000
Current to 30 days	190,522	1,585
31 to 60 days	20,851	58,335
61 to 90 days	5,645	4,456
Over 90 days	5,998	3,167
	<u>223,016</u>	<u>67,543</u>

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

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

	2018 HK\$'000	2017 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:		
1,435,709,880 (2017: 1,150,751,398) ordinary shares of HK\$0.10 each	<u>143,571</u>	<u>115,075</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 2017	1,150,001,398	115,000
Issue of shares ( <i>Note a</i> )	<u>750,000</u>	<u>75</u>
At 31 December 2017 and 1 January 2018	1,150,751,398	115,075
Issue of shares ( <i>Note b</i> )	<u>284,958,482</u>	<u>28,496</u>
At 31 December 2018	<u>1,435,709,880</u>	<u>143,571</u>

*Notes:*

- (a) On 8 September 2017, the Company issued 750,000 shares for a consideration of HK\$3,832,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016 relating to the acquisition of Environmental Protection Segment. The new shares rank pari passu with existing shares in all respects.
- (b) On 19 April 2018, the Company issued 280,998,482 shares at HK\$4.71 per share, as part of consideration, amounted to HK\$1,323,502,000, to acquire assets through acquisition of subsidiaries. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition as stated in note 13. The new shares rank pari passu with existing shares in all respects.

On 8 June 2018, the Company issued 1,750,000 shares at HK\$5.11 per share, for a consideration of HK\$8,943,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement signed on 5 September 2016 relating to the acquisition of Environmental Protection Segment. The new shares rank pari passu with existing shares in all respects.

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

### **13. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES**

On 19 April 2018, the Group acquired 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited (“Target Group”), from Dr. Lin Xiaohui (“Dr. Lin”) and Madam Su Jiaohua (“Madam Su”), the executive directors of the Company (who are also the ultimate shareholders), at a total consideration of RMB5,854,995,000 (equivalent to approximately HK\$7,323,176,000) (the “Total Consideration”). The Total Consideration was satisfied (i) by way of cash in an amount of RMB3,600,000,000 (equivalent to approximately HK\$4,502,725,000); (ii) by way of allotment and issue of 280,998,482 consideration shares at the fair value as of completion date of HK\$4.71 per share of approximately HK\$1,323,502,000; and (iii) by way of the issue of the promissory notes in two tranches with an aggregate principal amount of RMB1,657,864,000 (equivalent to approximately HK\$2,073,585,000), of which the fair value being RMB1,196,834,000 (equivalent to approximately HK\$1,496,949,000). The Target Group is engaged in property investment in Shenzhen, the PRC.

Included in the net assets acquired through acquisition of the Target Group are investment properties with a carrying value of HK\$7,779,709,000.

The above transaction was accounted for as acquisition of assets rather than as business combinations because the Target Group did not carry out any significant business transactions prior to the date of acquisition.

Further details are set out in the circular of the Company dated 23 March 2018 and an announcement of the Company dated 19 April 2018.

### **14. CONTINGENT LIABILITIES**

Since 2016, 冠彰電器(深圳)有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd, or “Guan Zhang”), a subsidiary of the Group, has been a defendant in a lawsuit brought by a third party (the “Plaintiff”), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest and Guan Zhang in the Shen Zhen Baoan District People’s Court. Bank balance amounting to HK\$4,171,000 was restricted as to use as a result of a freezing injunction by the court. Such injunction was released in 2017 as the Group won the lawsuit. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in 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 and no additional evidences were provided by the Plaintiff to the court up to the reporting date. After consultation with the external legal counsel, management of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

## 15. EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2018, the Group has the following significant events:

- i. On 30 January 2019, an indirect wholly-owned PRC subsidiary of the Company has obtained an unsecured banking facility of RMB3,000,000,000 at a rate of 5.7% per annum and is fully repayable on 30 January 2024. Such unsecured bank borrowing was supported by the corporate guarantees of the Company and certain PRC subsidiaries of the Group as well as the personal guarantees of Dr. Lin and Madam Su, the ultimate shareholders of the Company. The newly drawn bank borrowing would mainly be used for repayment of the outstanding promissory note and the loans from ultimate holding company. The Company had repaid the promissory notes and the loans from ultimate holding company.
- ii. On 15 February 2019, an indirect wholly-owned subsidiary of the Company and an independent third party entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase (i) the entire issued share capital of Bright Success Inc., (the “Target”) and its subsidiary (the “Target Group”), and (ii) the shareholder’s loan, at a maximum consideration of HK\$513,350,000 (subject to adjustment). As of 31 December 2018, the Group has paid a cash deposit of HK\$51,300,000. The Target Group mainly holds a property in Hong Kong. Details of the acquisition are set out in the Company’s announcement dated 15 February 2019.

## **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 advisory, asset management, securities brokerage services and margin financing (the “Financial Services Segment”), property investment (the “Property Investment Segment”) and dismantling and trading of scrap materials (the “Environmental Protection Segment”). Trading Segment was removed as the Group did not generate revenue from this segment and its result is minimal for the year and the last year.

## **FINANCIAL REVIEW**

### **Overview**

During the year under review, the Group recorded a total revenue of approximately HK\$811.0 million, representing an increase of approximately 6.3% as compared to that of the last year of approximately HK\$763.0 million. The Group recorded a profit of approximately HK\$383.7 million for the year as compared to a profit of HK\$111.2 million for the last year.

The Group noted an increase in revenue of approximately 6.3% during the year under review, which was mainly due to increase in revenue from the Commercial Printing Segment by approximately HK\$12.3 million and the Motor Vehicle Parts Segment by approximately HK\$40.2 million. Revenue arising from the Environmental Protection Segment, Financial Services Segment and Property Investment Segment during the year, which were approximately HK\$570.8 million, HK\$10.3 million and HK\$19.5 million respectively, were relatively stable as compared to that of the last year. However, the increase in revenue of the Group was slightly offset by the decrease in revenue in the Hangtag Segment. Motor Vehicle Parts Segment recorded an increase in revenue by approximately 46.3% to HK\$127.1 million during the year under review, which was attributable to the substantial growth of business in Guangzhou, the PRC. As a result of procured several IPO and merger and acquisition transaction engagements, the Commercial Printing Segment have a notable increase in revenue by approximately 17.6% to HK\$82.4 million.

The audited consolidated net profit after tax of the Group for the year ended 31 December 2018 was approximately HK\$383.7 million, which was substantially below the expected net profit after tax of not less than HK\$600 million as disclosed in the announcements of the Company dated 5 March 2019 and 22 March 2019 in relation to, among other things, the positive profit alert. The audited consolidated net profit after tax fell short of the expected amount mainly because there was a difference between the principal amount and the fair value of promissory notes issued as part of the consideration for certain investment properties acquired during 2018, which was recognised as deemed contribution from shareholders in equity rather than gain on fair value change of investment properties, net of taxation effect in profit or loss. The

increase in net profit after tax to approximately HK\$383.7 million for the year ended 31 December 2018, as compared to the net profit after tax of approximately HK\$111.2 million for the year ended 31 December 2017, was mainly due to increase in profit margin derived from the Environmental Protection Segment from 9.4% to 15.9% and the fair value gains on investment properties of approximately HK\$671.4 million (2017: HK\$155.7 million), which was partly offset by the deferred taxation imposed on the fair value gains of approximately HK\$158.2 million (2017: HK\$48.3 million) as well as the finance costs of approximately HK\$424.0 million (2017: HK\$30.8 million). The increase in finance costs was mainly due to the increase in bank borrowings, loans from ultimate holding company and promissory notes during the year.

## **Financial review**

### *Commercial Printing Segment*

The Commercial Printing Segment contributed a revenue of approximately HK\$82.4 million, representing 10.2% of the Group's total revenue during the year. There was an increase in revenue by 17.7% to approximately HK\$82.4 million as compared to that of the last year of approximately HK\$70 million. As a result of procured several IPO and merger and acquisition transaction engagements and implemented certain cost control activities during the year, the Commercial Printing Segment have a notable increase in revenue and generated an operating profit of approximately HK\$2.3 million as compared to the operating loss of approximately HK\$8.1 million for the last year.

### *Motor Vehicle Parts Segment*

The Motor Vehicle Parts Segment contributed a revenue of approximately HK\$127.1 million, representing 15.7% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a significant increase by 46.3% to approximately HK\$127.1 million as compared to the revenue of the last year of approximately HK\$86.9 million. Substantial growth in revenue was mainly attributable to expansion of operation in Guangzhou during the year. However, the increase in revenue was offset by increase in administrative and operating expenses incurred for expansion of the Guangzhou operation. The segment became breakeven for the year as compared to an operating profit of approximately HK\$0.6 million for the last year.

### *Financial Services Segment*

The Financial Services Segment generated a revenue of approximately HK\$10.3 million, representing 1.3% of the Group's total revenue during the year. The Financial Services Segment recorded a similar level of revenue of approximately HK\$10.3 million for the year as compared to approximately HK\$10.8 million for the last year. The revenue level is stable for both the current and the last year while the segment recorded an operating loss of approximately HK\$20.3 million for the year as compared to operating profit of approximately HK\$2.8 million for the last year. The operating loss for the year was mainly derived from provision of impairment loss for margin financing.

### *Hangtag Segment*

The Hangtag Segment contributed a revenue of approximately HK\$1.0 million, representing 0.1% of the Group's total revenue during the year. The revenue from the Hangtag Segment further decreased by 62.3% as compared to the revenue of the last year of approximately HK\$2.6 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 remained breakeven for both the year and the last year.

### *Environmental Protection Segment*

The Environmental Protection Segment generated a revenue of approximately HK\$570.8 million, representing 70.4% of the Group's total revenue. Slight decrease in revenue was mainly due to launch of new environmental protection regulation by the PRC government which tightened the import requirement of scrap materials in second quarter of 2018. The segment recorded an operating profit of approximately HK\$67.3 million during the year as compared to approximately HK\$52.3 million during the last year.

### *Property Investment Segment*

The Property Investment Segment recorded a revenue of approximately HK\$19.5 million during the year, representing 2.4% of the total revenue of the Group. The revenue from this business decreased by 3.3% to approximately HK\$19.5 million as compared to approximately HK\$20.2 million in the last year. The decrease was due to less rental income derived from the properties located at Zhangkenjing Industrial Zone during the year. Due to the substantial increase in fair value gains on investment properties resulted from the acquisition of a commercial/apartment building, retail shops and all car parking spaces of the Realord Villas ("Realord Villas") and 2 blocks of office building located on the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park in Shenzhen ("Realord Technology Park") during the year amounted to approximately HK\$671.4 million (2017: HK\$155.7 million), the profit from the segment increase to approximately HK\$316.2 million during the year as compared to the profit of approximately HK\$169.2 million in the last year.

### *Others*

The Group has invested in listed securities in Hong Kong for trading purpose and recorded a net realised profit on disposal of trading securities of approximately HK\$10.8 million during the year. As at 31 December 2018, the fair value of the financial assets amounted to approximately HK\$96.6 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 and pledged time deposits as at 31 December 2018 amounted to approximately HK\$896.5 million (2017: HK\$61.5 million) in aggregate.

Its gearing ratio as at 31 December 2018 was 266.6% (2017: 59.2%), based on the interest-bearing borrowings of approximately HK\$7,674.9 million (2017: HK\$634.2 million) and owners' equity of the Group of HK\$2,878.4 million (2017: HK\$1,070.4 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 RMB536.4 million reserved for operating and treasury purpose as at 31 December 2018.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during the year ended 31 December 2018. The Group did not use any financial instruments for hedging purpose as at 31 December 2018.

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

As at 31 December 2018, corporate guarantees amounting to approximately HK\$4,781.5 million (31 December 2017: HK\$301.5 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK\$4,480 million (31 December 2017: Nil) 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 building owned by the Group with a total net book value of approximately HK\$8,496.7 million (31 December 2017: HK\$440.1 million) and approximately HK\$20.7 million (31 December 2017: HK\$72.2 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**

Severe competition is expected to continue for the Commercial Printing Segment in coming years. The competition in the market hindered the Group to pass the inflating operating costs to customers, therefore restricted the profit margin for the Commercial Printing Segment. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.



## **Motor Vehicle Parts Segment**

In view of high rental expense incurred for a retail store in Hong Kong, the Group has ceased the retail business in Hong Kong since November 2018 for the Motor Vehicles Parts Segment. The Group is now shifting its focus to sales at online platforms and automobile sales service shops, which concentrates target customers in Guangzhou, the PRC and the Directors consider that such change can reduce operating costs and at the same time capture the market trend as well as enhance distribution network in Guangzhou.

## **Financial Services Segment**

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

The Group has been actively identifying business opportunities to expand its Financial Services Business either in the PRC and Hong Kong. As disclosed in the 2017 annual report, in 2016, the Group participated in set up a security company in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC, such application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date.

In addition, in September 2018, the Group has entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of a company incorporated in Hong Kong which is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and authorised by the Hong Kong Confederation of Insurance Brokers as an intermediary to broker long term (including linked long term) insurance under Insurance Ordinance (Chapter 41 of the Laws of Hong Kong). The acquisition has been completed on 27 November 2018. Furthermore, as disclosed on 27 December 2018, the Group entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 60% of the entire issued share capital of Optima Capital Limited (the “OCL”), subject to the terms and conditions of the acquisition agreement. OCL is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. It principally engages in providing corporate finance advisory services in Hong Kong.



The Group believes that the acquisitions provides a viable business opportunity for the Group to strengthen its Financial Services Business in Hong Kong and will complement its existing services portfolio for the Group to provide more comprehensive financial services to its customers. The integration of above acquisitions will also strengthen the Group's ability to produce different but higher quality services to its customers and enable the group to broaden its client base.

### **Hangtag Segment**

Customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish during the year under review and the Directors foresee that operating environment of Hangtag Segment would remain challenging.

### **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 Industrial Company Limited ("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 dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 1,750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2017 was not less than HK\$35,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2017 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2017 amounted to approximately HK\$46,179,000. Accordingly, the target profit for the financial year ended 31 December 2017 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in June 2018.

In the second quarter of 2018, new environmental protection regulations were launched in the PRC, which have tightened the import requirement of scrap materials since 31 December 2018. As a result, the Group postponed its plan to develop a processing plant in the PRC for recycling and production of copper and aluminium ingots to second half of 2019. In addition, the Group is also looking for suitable location in East or Southeast Asia to develop another processing plant for dismantling, crushing, and smelting of scrap materials. The Board believes that both the processing plant projects will assist the Group to derive a long-term growth for the Environmental Protection Segment.

## **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. In April 2018, the completion of acquisition took place and 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. The Group expects that the renovation project of Realord Villas and Realord Technology Park will be completed in late 2019 and mid 2020, respectively, and commence business in early 2020 and late 2020, respectively.

### *Others*

The Group has also 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. 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 2020, subject to government schedules, and thereafter the redevelopment works will commence.

## **EVENTS AFTER REPORTING PERIOD**

The Group has drawn down an unsecured bank borrowing of RMB3,000,000,000 on 30 January 2019. The new banking facility was mainly used for repayment of the outstanding promissory note issued by the Company held by Manureen Holdings and the loans from ultimate holding company.

On 15 February 2019, the Group and an independent third party entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase (i) the entire issued share capital of Bright Success Inc. and its subsidiary (the "Target Group"), and (ii) the shareholder's loan at a maximum consideration of HK\$513,350,000 (subject to adjustment). The Target Group mainly holds a property in Hong Kong. Details of the acquisition are set out in the Company's announcement dated 15 February 2019. The acquisition has been completed at the date of result announcement.

## **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 2018.

## **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 2018.

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 2018 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 2018.

## **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, 29 March 2019

*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.*