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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **UNAUDITED ANNUAL RESULTS**

For the reasons as set out in the paragraph headed “Review of unaudited annual results” in this announcement, the audit process for the annual results of Realord Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 (the “FY2019”) has not been completed. In order to keep the shareholders of the Company (the “Shareholders”) and potential investors informed of the business operation and financial position of the Group, the board (the “Board”) of directors (the “Directors”) of the Company presents the unaudited consolidated annual results of the Group for the FY2019, together with the comparative audited figures for the year ended 31 December 2018 (the “FY2018”), as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
<b>Revenue</b>	3		
Goods and services		811,196	782,622
Rental income		10,569	19,532
Interest		7,133	8,885
		<hr/>	<hr/>
Total revenue		828,898	811,039
Cost of sales		(640,783)	(629,311)
		<hr/>	<hr/>
<b>Gross profit</b>		188,115	181,728
Other income	4a	27,367	3,801
Other gains and losses	4b	15,302	310,319
Gain on deemed disposal of an associate		709,402	–
Impairment gains/(losses), net of reversal		8,591	(27,168)
(Loss)/gain on fair value changes of investment properties		(202,594)	671,422
Selling and distribution expenses		(10,806)	(10,108)
Administrative expenses		(191,015)	(148,637)
Share of result of an associate		(1,222)	(1,436)
Finance costs	6	(534,104)	(423,972)
		<hr/>	<hr/>
<b>Profit before income tax</b>		9,036	555,949
Income tax credit/(expense)	7	26,056	(172,238)
		<hr/>	<hr/>
<b>Profit for the year</b>	5	35,092	383,711
		<hr/>	<hr/>
<b>Attributable to:</b>			
Owners of the Company		24,252	363,282
Non-controlling interests		10,840	20,429
		<hr/>	<hr/>
		35,092	383,711
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>			
Basic (HK cents)	9	1.69	26.89
		<hr/> <hr/>	<hr/> <hr/>
Diluted (HK cents)	9	1.68	26.82
		<hr/> <hr/>	<hr/> <hr/>

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

*For the year ended 31 December 2019*

	<b>2019</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <b>(Audited)</b>
<b>Profit for the year</b>	<u><b>35,092</b></u>	<u>383,711</u>
<b>Other comprehensive expense</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on property revaluation	<b>725</b>	1,407
Income tax relating to gain on property revaluation	<b>(181)</b>	(352)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations:		
– Subsidiaries	<b>(119,184)</b>	(462,429)
– An associate	<u><b>135</b></u>	<u>(57)</u>
<b>Other comprehensive expense for the year, net of income tax</b>	<u><b>(118,505)</b></u>	<u>(461,431)</u>
<b>Total comprehensive expense for the year</b>	<u><b>(83,413)</b></u>	<u><b>(77,720)</b></u>
<b>Attributable to:</b>		
Owners of the Company	<b>(94,622)</b>	(98,584)
Non-controlling interests	<u><b>11,209</b></u>	<u>20,864</u>
	<u><b>(83,413)</b></u>	<u><b>(77,720)</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>488,433</b>	100,521
Prepaid lease payments		<b>4,842</b>	4,968
Investment properties		<b>8,863,251</b>	9,081,879
Goodwill		<b>87,390</b>	28,497
Other intangible assets		<b>46,184</b>	13,369
Investment in an associate		–	66,122
Equity instrument at fair value through other comprehensive income		–	31,048
Prepayments, deposits and other receivables		<b>14,562</b>	82,930
		<b>9,504,662</b>	9,409,334
<b>CURRENT ASSETS</b>			
Inventories		<b>67,062</b>	146,170
Trade receivables	10	<b>321,088</b>	455,015
Receivables arising from securities broking	10	<b>89,481</b>	99,832
Prepaid lease payments		–	114
Prepayments, deposits and other receivables		<b>368,781</b>	306,112
Proposed development project		<b>1,622,738</b>	–
Tax recoverable		<b>3,661</b>	3,463
Financial assets at fair value through profit or loss (“FVTPL”)		<b>14,130</b>	96,631
Cash held on behalf of clients		<b>6,292</b>	8,454
Bank balances and cash		<b>585,052</b>	896,544
		<b>3,078,285</b>	2,012,335

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

*As at 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2018</b> <b>HK\$'000</b> <b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>55,360</b>	223,016
Payables arising from securities broking	11	<b>16,853</b>	19,645
Contract liabilities		<b>5,141</b>	4,832
Other payables and accruals		<b>142,954</b>	100,282
Bank borrowings and overdrafts		<b>524,923</b>	496,953
Amounts due to related parties		<b>69,496</b>	78,524
Lease liabilities		<b>29,794</b>	—
Tax payable		<b>17,696</b>	10,583
		<b>862,217</b>	933,835
<b>NET CURRENT ASSETS</b>			
		<b>2,216,068</b>	1,078,500
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>11,720,730</b>	10,487,834
<b>EQUITY</b>			
Share capital	12	<b>143,821</b>	143,571
Reserves		<b>2,201,274</b>	2,734,877
Equity attributable to owners of the Company		<b>2,345,095</b>	2,878,448
Non-controlling interests		<b>874,195</b>	53,978
		<b>3,219,290</b>	2,932,426
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>339,709</b>	377,442
Loans from ultimate holding company		<b>687,688</b>	821,460
Promissory notes		—	1,492,460
Bank borrowings		<b>7,444,069</b>	4,864,046
Lease liabilities		<b>29,974</b>	—
		<b>8,501,440</b>	7,555,408
		<b>11,720,730</b>	10,487,834

Notes:

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the accounting principles generally accepted in Hong Kong, the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at revalued amounts or fair values. These consolidated 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 HKFRSs

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

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

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

Except as described 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.

### HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

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

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

#### **HKFRS 16 “Leases” (Continued)**

##### **As a lessee**

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The discounting effects of refundable rental deposits paid included in “Prepayments, deposits and other receivables” at transition were considered not material and not adjusted to the cost of corresponding right-of-use assets. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as “Prepaid lease payments” under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 2.43%.

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

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

#### HKFRS 16 “Leases” (Continued)

##### As a lessee (Continued)

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed as at 31 December 2018 (Audited)	<b>68,702</b>
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	<u>(79)</u>
Operating leases liabilities before discounting	<b>68,623</b>
Discounting using incremental borrowing rate as at 1 January 2019	<u>(2,537)</u>
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019 (Unaudited)	<u><b>66,086</b></u>
Classified as:	
Current lease liabilities	<b>22,402</b>
Non-current lease liabilities	<u><b>43,684</b></u>
	<u><b>66,086</b></u>

##### As a lessor

Upon initial application of HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16. Comparative information is not restated.

At transition, the discounting effect of refundable rental deposits received are not adjusted as the management considers the impact is not material.



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

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

#### HKFRS 16 “Leases” (Continued)

##### Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group’s consolidated statement of financial position as at 1 January 2019:

	<i>HK\$’000</i> (Unaudited)
Increase in right-of-use assets presented in property, plant and equipment	66,086
Increase in prepaid lease payments (non-current assets)	114
Decrease in prepaid lease payments (current assets)	(114)
Increase in lease liabilities	66,086

##### 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 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <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>1</sup>

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

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

<sup>3</sup> Effective date not yet 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

### 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 six operating segments as follows:

- (a) provision of financial printing, digital printing and other related services (“Commercial Printing Segment”);
- (b) sales of hangtags, labels, shirt paper boards, and plastic bags principally to manufacturers of consumer products (“Hangtag Segment”);
- (c) distribution and sale of motor vehicle parts (“Motor Vehicle Parts Segment”);
- (d) provision of corporate finance advisory, asset management, securities brokerage services and margin financing (“Financial Services Segment”);
- (e) property investment and development (“Property Investment and Development Segment”);  
and
- (f) dismantling and trading of scrap materials (“Environmental Protection Segment”).

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.

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results

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

	Commercial printing HK\$'000 (Unaudited)	Hangtag HK\$'000 (Unaudited)	Motor vehicle parts HK\$'000 (Unaudited)	Financial services HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)	Environmental protection HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Year ended 31 December 2019</b>							
<b>Segment revenue</b>							
Sales to external customers	77,878	349	107,013	40,872	10,569	592,217	828,898
Inter-segment sales	607	-	-	13	630	-	1,250
	78,485	349	107,013	40,885	11,199	592,217	830,148
Elimination of inter-segment sales							(1,250)
Revenue							828,898
Segment results	678	(76)	10,052	12,622	73,305	44,735	141,316
Bank interest income							13,481
Other income							4,953
Net foreign exchange gain							104,609
Unrealised fair value gain on financial assets at FVTPL							3,737
Revaluation deficit on property, plant and equipment							(31)
Realised loss on disposal of financial assets at FVTPL							(79,986)
Corporate expenses							(69,529)
Finance costs							(109,514)
Profit before income tax							9,036

### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results (Continued)

	Commercial printing HK\$'000 (Audited)	Hangtag HK\$'000 (Audited)	Motor vehicle parts HK\$'000 (Audited)	Financial services HK\$'000 (Audited)	Property investment HK\$'000 (Audited)	Environmental protection HK\$'000 (Audited)	Total HK\$'000 (Audited)
<b>Year ended 31 December 2018</b>							
<b>Segment revenue</b>							
Sales to external customers	82,370	996	127,095	10,272	19,532	570,774	811,039
Inter-segment sales	755	–	–	15	290	–	1,060
	83,125	996	127,095	10,287	19,822	570,774	812,099
Elimination of inter-segment sales							(1,060)
Revenue							811,039
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							(75,268)
Profit before income tax							555,949

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, net foreign exchange gain, unrealised fair value gain on financial assets at FVTPL, revaluation deficit on property, plant and equipment, realised gain/loss on disposal of financial assets at FVTPL, 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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Hong Kong	230,966	136,232
The People's Republic of China (the "PRC")	571,831	673,083
Japan	25,689	—
Other countries	412	1,724
	<u>828,898</u>	<u>811,039</u>

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

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Hong Kong	1,146,185	564,559
The PRC	8,341,685	8,802,328
Japan	2,459	—
	<u>9,490,329</u>	<u>9,366,887</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

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Bank interest income	13,481	842
Finance lease interest income	–	330
Interest income on credit-impaired loan receivables	5,981	963
Government grant	103	839
Rebate from bank borrowing	2,400	–
Others	5,402	827
	<u>27,367</u>	<u>3,801</u>

#### 4b. OTHER GAINS AND LOSSES

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Loss on disposal of property, plant and equipment	–	(61)
Unrealised fair value gain on financial assets at FVTPL	3,737	35,063
Realised (loss)/gain on disposal of financial assets at FVTPL	(79,986)	10,751
Net foreign exchange gain	91,582	264,927
Revaluation deficit on property plant and equipment	(31)	(361)
	<u>15,302</u>	<u>310,319</u>

#### 5. PROFIT FOR THE YEAR

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

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Depreciation		
– Owned assets	12,669	11,958
– Right-of-use assets	28,191	–
Amortisation of prepaid lease payments	122	118
Minimum lease payments under operating leases	–	23,138
Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	2,558	–
Auditor's remuneration	4,419	2,771
Employee benefits expense (including directors' emoluments)		
– Wages and salaries	84,669	57,458
– Discretionary bonus	10,037	11,420
– Pension scheme contributions	3,417	2,711
Cost of inventories recognised as expenses	<u>622,341</u>	<u>608,868</u>

## 6. FINANCE COSTS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Interest on loans from ultimate holding company	55,958	65,231
Interest on bank borrowings and overdrafts	434,514	229,827
Interest on promissory notes	40,375	128,914
Finance charges on lease liabilities	1,753	–
Imputed interest on deferred consideration	1,504	–
	<u>534,104</u>	<u>423,972</u>

## 7. INCOME TAX (CREDIT)/EXPENSE

### Hong Kong

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 2019 and 2018.

### 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.

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
<b>Current tax</b>		
Hong Kong		
– Charge for the year	6,654	13,030
– (Over)/Under provision in prior years	(345)	919
The PRC		
– Charge for the year	38	1,829
– Under/(Over) provision in prior years	2,173	(1,694)
Japan		
– Charge for the year	39	–
	<u>8,559</u>	<u>14,084</u>
<b>Deferred tax</b>		
– (Credit)/Charge for the year	(34,615)	158,154
Income tax (credit)/expense	<u>(26,056)</u>	<u>172,238</u>

## 8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2019 and 2018, 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:

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <b>HK\$'000</b> <b>(Audited)</b>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	<b>24,252</b>	363,282
	<b>Number of shares</b>	
	<b>2019</b> <b>(Unaudited)</b>	2018 <b>(Audited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	<b>1,438,209,880</b>	1,350,887,946
Effect of dilutive potential ordinary shares:		
– Share options	<b>1,093,305</b>	1,259,625
– Contingently issuable shares in relation to acquisition of Environmental Protection Segment	–	2,500,000
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	<b>1,439,303,185</b>	1,354,647,571



#### 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:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Current to 30 days	116,691	261,782
31 to 60 days	80,947	82,485
61 to 90 days	7,264	44,651
Over 90 days	116,186	66,097
	<u>321,088</u>	<u>455,015</u>
Cash clients accounts receivable	10,287	10,774
Loans to margin clients	79,194	89,058
	<u>89,481</u>	<u>99,832</u>
	<u>410,569</u>	<u>554,847</u>

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

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

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Current to 30 days	34,465	190,522
31 to 60 days	6,301	20,851
61 to 90 days	945	5,645
Over 90 days	13,649	5,998
	<u>55,360</u>	<u>223,016</u>

The credit period of trade payables arising from Commercial Printing, Hangtag, Motor Vehicle Parts, Property Investment and Development and Environmental Protection Segments ranges from 60 to 90 days (2018: 30 to 90 days). The normal settlement terms of payable to clearing house, arising from securities broking are two trading days after the trade date.

The cash clients accounts payable are repayable on demand and non-interest bearing. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

## 12. SHARE CAPITAL

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
<b>Authorised:</b>		
20,000,000,000 ordinary shares of HK\$0.10 each	<b>2,000,000</b>	2,000,000
<b>Issued and fully paid:</b>		
1,438,209,880 (2018: 1,435,709,880) ordinary shares of HK\$0.10 each	<b>143,821</b>	143,571

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

	Number of ordinary shares in issue	Share capital HK\$'000
As at 1 January 2018	1,150,751,398	115,075
Issue of shares ( <i>note a</i> )	284,958,482	28,496
As at 31 December 2018 and 1 January 2019 (Audited)	1,435,709,880	143,571
Issue of shares ( <i>note b</i> )	<b>2,500,000</b>	<b>250</b>
<b>As at 31 December 2019 (Unaudited)</b>	<b>1,438,209,880</b>	<b>143,821</b>

*Notes:*

- (a) On 19 April 2018, the Company issued 280,998,482 shares at HK\$4.71 per share, as part of consideration, amounted to HK\$1,323,502,000, to acquire assets through acquisition of subsidiaries. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition of 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited in 2018. The new shares rank pari passu with existing shares in all respects.

On 8 June 2018, the Company issued 1,750,000 shares at HK\$5.11 per share, for a consideration of HK\$8,943,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") and its wholly-owned subsidiaries (collectively referred to as "Realord Environmental Protection Group") in 2017. 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 share option scheme of the Company by the option holders. The new shares rank pari passu with existing shares in all respects.

- (b) On 10 June 2019, the Company issued 2,500,000 shares at HK\$4.60 per share for a consideration of HK\$11,498,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement for the acquisition of 60% equity interests in Realord Environmental Protection Group in 2017. The new shares rank pari passu with existing shares in all respects.

### 13. BUSINESS COMBINATIONS

#### Optima Capital Limited

On 30 April 2019, the Group completed an acquisition of 60% equity interests in Optima Capital Limited (“Optima Capital”) from Ms. Leung Mei Han, a spouse of a director of a subsidiary of the Company and two independent third parties, for total consideration of HK\$96,000,000. The acquisition has been accounted for using the purchase method.

Optima Capital is a licensed corporation under the Securities and Futures Ordinance to carry out corporate finance advisory services in Hong Kong. The acquisition was made as part of the Group strategy to expand its financial services business in Hong Kong.

#### *Consideration transferred*

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

*Note:* Based on the acquisition agreement dated 27 December 2018, part of the consideration amounting to HK\$48,000,000 (the “deferred consideration”) will be paid on the third anniversary of the completion date of the acquisition. The fair value of the deferred consideration approximates HK\$40,849,000 at the acquisition date.

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

	<b>HK\$’000</b> <b>(Unaudited)</b>
Property, plant and equipment	<b>18,240</b>
Other intangible assets	<b>32,815</b>
Trade receivables	<b>7,540</b>
Prepayment, deposits and other receivables	<b>1,845</b>
Bank balances and cash	<b>13,616</b>
Other payables and accruals	<b>(581)</b>
Contract liabilities	<b>(92)</b>
Lease liabilities	<b>(16,946)</b>
Income tax payable	<b>(1,095)</b>
Deferred tax liabilities	<b>(5,415)</b>
Total identifiable net assets at fair value	<b>49,927</b>

### 13. BUSINESS COMBINATIONS (Continued)

#### Optima Capital Limited (Continued)

##### *Goodwill arising on acquisition*

	<i>HK\$'000</i> (Unaudited)
Consideration transferred	88,849
Add: non-controlling interests	19,971
Less: fair value of identifiable net assets acquired	<u>(49,927)</u>
	<u>58,893</u>

##### *Net cash outflow on acquisition*

	<i>HK\$'000</i> (Unaudited)
Bank balances and cash acquired	13,616
Cash consideration paid	<u>(48,000)</u>
	<u>(34,384)</u>

The non-controlling interests arising from the acquisition of non-wholly owned subsidiary are measured by reference to the proportionate share of the fair value of the acquiree's identifiable net assets at the acquisition date and amounted to HK\$49,927,000.

Goodwill arose in the acquisition of Optima Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the assembled workforce of Optima Capital. Such benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Optima Capital contributed HK\$25,241,000 to the Group's revenue and generated a profit of HK\$739,000 which was included in the Group's results for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue and the profit of the Group would have been HK\$841,759,000 and HK\$33,588,000, respectively.

## 14. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

### (a) Bright Success Inc.

On 27 March 2019, the Group acquired 100% equity interests in Bright Success Inc. and its subsidiary ("Bright Success Group"), from an independent third party at a cash consideration of HK\$513,114,000. Bright Success Group is engaged in property investment business.

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

Further details are set out in the announcement of the Company dated 15 February 2019.

The assets acquired at the completion date were as follows:

	<i>HK\$'000</i> (Unaudited)
Investment property	513,000
Deposits and prepayments	114
Shareholder's loan	(470,220)
	<hr/> 42,894
Settlement of shareholder's loan	<hr/> 470,220
Net assets acquired	<hr/> <u>513,114</u>
<i>Net cash outflow on acquisition</i>	
	<i>HK\$'000</i> (Unaudited)
Cash consideration paid ( <i>note</i> )	<hr/> <u>461,814</u>

*Note:* Part of the consideration of HK\$513,114,000 for the acquisition was satisfied by a prepayment of HK\$51,300,000 made in 2018.

#### 14. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

##### (b) 深圳市友盛地產有限公司

深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or “Shenzhen Yousheng”\*) is an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests. On 22 May 2019, the Group acquired addition 2% equity interests in Shenzhen Yousheng at a cash consideration of RMB40,000,000 (equivalent to approximately HK\$45,475,000). Shenzhen Yousheng became a 51% subsidiary of the Group. Shenzhen Yousheng is engaged in property redevelopment.

Shenzhen Yousheng did not carry out any significant business transactions prior to the date of acquisition and only had proposed development project. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the consideration paid and the net assets acquired would be recognised as adjustments to the carrying amount of proposed development project.

The non-controlling interests recognised at the acquisition date are measured by reference to the fair value of the recognised amounts of the acquiree’s identifiable net assets.

The assets acquired at the completion date were as follows:

	<i>HK\$’000</i> (Unaudited)
Property, plant and equipment	127
Proposed development project	1,610,783
Deposits and other receivables	171
Bank balances and cash	5,631
Other payables and accruals	(22,363)
	<u>1,594,349</u>
Less: non-controlling interests	<u>(774,437)</u>
Net assets acquired	<u><u>819,912</u></u>
Total consideration satisfied by:	
– Fair value of the previously held equity interests in an associate at the acquisition date	774,437
– Cash	45,475
	<u><u>819,912</u></u>

##### *Net cash outflow on acquisition*

	<i>HK\$’000</i> (Unaudited)
Bank balances and cash acquired	5,631
Cash consideration paid	(45,475)
	<u><u>(39,844)</u></u>

\* For identification purpose only

## **15. 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 Global Limited (“Citibest”) and Guan Zhang in the Shenzhen Baoan District People’s Court. The Group won the lawsuit in 2017. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People’s Court. On 4 December 2018, the court rejected all the claims from the Plaintiff. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People’s Court. As at 31 December 2019, an investment property located in the PRC amounted to RMB511,000,000 (equivalent to approximately HK\$570,939,000) was restricted as to use as a result of a freezing injunction by the court. Such injunction was subsequently released and replaced by a security deposit at the court amounted to RMB36,739,000 (equivalent to approximately HK\$41,049,000) on 24 February 2020.

After consultation with the external legal counsel and in view of all the facts and circumstances, management of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

## **16. EVENTS AFTER THE REPORTING DATE**

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

\* *For identification purpose only*

## 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 “MVP Segment”), provision of corporate finance advisory, asset management, securities brokerage services and margin financing (the “Financial Services Segment”), property investment and development (the “Property Segment”) and dismantling and trading of scrap materials (the “EP Segment”).

### Overall financial review

During the year under review, the Group recorded a total revenue of approximately HK\$828.9 million, representing an increase of approximately 2.2% as compared to that of the last year of approximately HK\$811.0 million. The Group recorded a profit of approximately HK\$35.1 million for the year as compared to that of HK\$383.7 million for the last year.

The Group’s revenue during the year under review was mainly contributed by the EP Segment, the MVP Segment and the Commercial Printing Segment. The EP Segment contributed approximately 71.4% of the total revenue of the Group, the MVP Segment approximately 12.9% and the Commercial Printing Segment approximately 9.4%. The remaining 6.3% was contributed by other segments of the Group. The Group’s increase in revenue during the year under review was mainly due to the increase in revenue from the Financial Services Segment by approximately HK\$30.6 million and the EP Segment by approximately HK\$21.4 million as compared to that of last year. However, such increase was partially offset by the decrease in revenue in the MVP Segment by approximately HK\$20.1 million, the Commercial Printing Segment by approximately HK\$4.5 million and the Property Segment by approximately HK\$9.0 million. Reasons for the changes in the relevant segment revenues are set out in the sections below.

The consolidated net profit after tax of the Group for FY2019 amounted to approximately HK\$35.1 million, which represented a decrease by approximately 90.9% from approximately HK\$383.7 million in FY2018. The decrease was mainly attributable to a fair value loss of the Group’s investment properties of approximately HK\$202.6 million during FY2019 as compared to that of a fair value gain of approximately HK\$671.4 million in FY2018. The Group also incurred (i) an increase in finance costs by approximately HK\$110.1 million mainly due to the full year effect of interest expenses incurred for the Group’s bank borrowings (as compared to that of the eight months interests resulting from promissory notes and bank borrowings in FY2018) to finance the acquisition of two investment properties located in Realord Villas and Realord Technology Park in Shenzhen which completed in April 2018; (ii) a decrease in the net exchange gain by approximately HK\$173.3 million mainly due to the decrease in the net amount of the RMB-denominated liabilities of the Company as compared to that in the last year; and (iii) a loss of approximately HK\$82.6 million on the disposal of investments in a listed security held by the Group, which represented a reversal of all



accumulated unrealised fair value gain on such listed securities investments recognised in prior years while the total net realised gain on such investments over the years was approximately HK\$9.9 million. The aggregate of aforesaid effects to the Group's financial results for FY2019 was partially offset by (i) a gain of approximately HK\$709.4 million arising from a deemed disposal of an associate due to the Group's increase in equity interests in 深圳市友盛地產有限公司 ("Shenzhen Yousheng") from 49% to 51% resulting such company became an indirect 51%-owned subsidiary of the Company during FY2019; and (ii) the deferred tax credit of approximately HK\$34.6 million for FY2019 (FY2018: deferred tax expense of approximately HK\$158.2 million) arisen mainly from the fair value change of investment properties during the year. The consolidated net profit attributable to the owners of the Company was approximately HK\$24.3 million for FY2019, which was different from the expected amount of approximately HK\$5.0 million as disclosed in the announcement of the Company dated 26 March 2020 in relation to, among other things, the profit warning. The difference was mainly due to the revision of fair value calculation in arriving the gain on deemed disposal of an associate after taking into account, among other things, discount factors by the management.

## **FINANCIAL AND BUSINESS REVIEW FOR EACH SEGMENT**

### **The Property Segment**

The revenue of the Property Segment was mainly generated from the rental income of the Group's investment properties. In FY2018, the Group generated aggregate rental income of approximately HK\$19.5 million. In FY2019, to facilitate the approval process by the Development and Reform Commission (發展和改革委員會) and other government authorities in relation to the Group's application made for urban redevelopment of the Qiankeng Property from industrial use to public housing and residential use, the Group had terminated the lease agreement of the subject property for setting up the development projects (立項) in this regard. As a result of the termination of such lease, the revenue generated from this segment decreased to approximately HK\$10.6 million in FY2019. The Property Segment recognised a profit of approximately HK\$73.3 million in FY2019 as compared to that of a profit of approximately HK\$316.2 million recorded in FY2018. The decline was mainly due to (i) the overall revaluation loss of the Group's investment properties of approximately HK\$202.6 million during FY2019 (as compared to that of a gain of approximately HK\$671.4 million during FY2018); and (ii) the increase in finance costs by approximately HK\$75.9 million arising mainly from the bank borrowings for financing the acquisition of two investment properties located in Realord Villas and Realord Technology Park in Shenzhen completed in April 2018. The decline in the fair value of investment properties of approximately 2.3% for FY2019 as compared to the value thereof as at 31 December 2018 was mainly attributable to the gentle decline in property market in the PRC as impacted by a general decrease in office net absorption following the slowdown of economic growth of the PRC and that in Hong Kong as affected by the social unrest since June 2019. The abovementioned decline was substantially offset by a gain of approximately HK\$709.4 million arising from a deemed disposal of an associate. During

FY2019, the Group has acquired an additional 2% equity interests in Shenzhen Yousheng, a company engaged in the property redevelopment and 49%-owned associate of the Company prior to this step-acquisition, resulting Shenzhen Yousheng became an indirect 51%-owned subsidiary of the Company. The aforesaid increase in equity interests resulted in a gain on deemed disposal of an associate, which represented the difference between the fair value of Shenzhen Yousheng attributable the initial 49% equity interests held by the Group as at the completion date of acquisition and the net carrying amount of such 49% interests immediate before the acquisition.

### **The EP Segment**

To mitigate the impacts caused by the tightening control policy by the Chinese government regarding imports of scrap materials on the Group, the Group has shifted its scrap material sourcing and processing operations from Guangxi to Malaysia as part of the supply chain of its PRC customers which also relocated their processing arms offshore from Guangxi Province to southeast Asia. The Group engaged subcontractors in Malaysia for processing of the scrap materials and sold and delivered to the offshore arms of its PRC customers. The Group also set up 偉祿環保株式會社 (Realord Environmental Protection Japan Co., Ltd.) (“Realord EP Japan”) and leased a processing plant in Osaka, Japan in the first half of 2019. Revenue from the EP Segment increased from HK\$570.8 million in FY2018 to HK\$592.2 million in FY2019, representing a year-on-year growth of approximately 3.8%. The improvement was mainly due to the development of Realord EP Japan, which contributed sales revenue of HK\$25.7 million since its incorporation in early 2019. Despite the aforesaid growth, the Group’s operating profit for the EP Segment for the year reduced by approximately 33.6% to HK\$44.7 million from that of approximately HK\$67.3 million recorded in the previous year, which was mainly attributable to the startup cost for Realord EP Japan and the higher subcontracting expenses for processing scrap materials in Malaysia as compared to that in the PRC.

### **The Financial Services Segment**

The revenue from the Financial Services Segment increased by approximately 3 times to approximately HK\$40.9 million in FY2019 as compared to that of approximately HK\$10.3 million in FY2018. The segment recorded an operating profit of approximately HK\$12.6 million for FY2019 as compared to that of a loss of approximately HK\$20.3 million in FY2018. The growth was mainly attributable to the consolidation of results of Optima Capital Limited (“Optima Capital”) since the completion of the acquisition of 60% issued share capital therein in April 2019 and the Group’s provision of more comprehensive financial services to its customers during the year under review, such as placing agent and underwriting services.

### **The MVP Segment**

In view of the slowdown of economic growth of the PRC amidst the US-China trade tensions, the Group has been seeking to shorten the business cycle of the MVP Segment. On the one hand, the Group negotiated with suppliers to speed up the delivery time while on the other hand, allowed for a shorter credit period for its customers of the MVP Segment. Such business strategy drives down 15.8% of the revenue from the MVP Segment in FY2019 to HK\$107.0 million (FY2018: HK\$127.1 million). Notwithstanding the decrease in revenue, the profit was lifted from breakeven in FY2018 to approximately HK\$10.1 million in FY2019 mainly as a result in better credit control exercised on receivables collection during the year.

### **The Commercial Printing Segment**

With the global economic slowdown and lingering trade tensions which negatively affected the capital market sentiment and stagnated the merger and acquisition and fundraising activities, the Commercial Printing Segment recorded both declines in revenue by approximately 5.5% to approximately HK\$77.9 million in FY2019 (FY2018: HK\$82.4 million) and in operating profit by approximately 70.9% to approximately HK\$0.7 million in FY2019 (FY2018: HK\$2.3 million) respectively.

### **The Hangtag Segment**

The contribution of the Hangtag Segment to the Group was relatively minimal at approximately HK\$0.3 million in FY2019, which declined 65.0% year-on-year from HK\$1.0 million in FY2018. The operating loss derived from this segment was relatively minimal during both years of FY2018 and FY2019.

### **Others**

The Group invests in listed securities in Hong Kong for trading purpose and other club and school debentures in Hong Kong. The total net realised loss on the disposal of financial assets at fair value through profit and loss amounted to approximately HK\$80.0 million for FY2019. Among which, the Group recorded a loss on disposal of the investments in a listed security of approximately HK\$82.6 million during the year under review, which mainly represented a reversal of all accounted unrealised fair value gain on such investments recognised in prior years. The total net realised gain on this investment over the years was approximately HK\$9.9 million. As at 31 December 2019, the financial assets at fair value through profit or loss amounted to approximately HK\$14.1 million, which represented investments in club and school debentures and certain listed securities in Hong Kong for trading purpose.

### **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 as at 31 December 2019 amounted to approximately HK\$585.1 million (31 December 2018: HK\$896.5 million) which were mainly denominated in HK\$ and RMB (31 December 2018: HK\$ and RMB).

The gearing ratio of the Group as at 31 December 2019 was 369.1% (31 December 2018: 266.6%), based on the interest-bearing borrowings denominated in HK\$ and RMB (31 December 2018: HK\$ and RMB) of approximately HK\$8,656.7 million (31 December 2018: HK\$7,674.9 million) and divided by the equity attributable to the owners of the Company of HK\$2,345.1 million (31 December 2018: HK\$2,878.4 million). The interest bearing borrowings carried interest rate ranging from 2.15% to 7.60% per annum (31 December 2018: 3.48% to 7.60% per annum) with maturity ranging from within 1 year to 30 years (31 December 2018: within 1 year to 5 years).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital 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 RMB309.8 million reserved for operating and treasury purpose as at 31 December 2019.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during the year ended 31 December 2019. The Group did not use any financial instruments for hedging purpose as at 31 December 2019.

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

As at 31 December 2019, corporate guarantees amounting to approximately HK\$8,496.3 million (31 December 2018: HK\$4,781.5 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK\$8,189.8 million (31 December 2018: HK\$4,480 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and building owned by the Group with a total net book value of approximately HK\$8,024.8 million (31 December 2018: HK\$8,496.7 million) and approximately HK\$397.2 million (31 December 2018: HK\$20.7 million).

## **THE REVIEW AND OUTLOOK**

The business of the Group during FY2019 was affected in general by the macroeconomic environment changes in the PRC and Hong Kong. In 2019, the gross domestic product (“GDP”) growth rate of the PRC was 6.1% which was reported as the lowest annual growth rate in a decade, down from 6.6% in 2018, while the GDP growth rate of Hong Kong contracted by 1.2% in 2019, shrinking from 9% growth in 2018. Details of such impacts to the business of each segment of the Group have been included in the paragraph headed “Financial and business review for each segment” above.

The Group believes that 2020 is set to be a challenging year as lingering trade tensions and the outbreak of COVID-19 epidemic would continue to bring uncertainties affecting business sentiment and economic activities globally. The outbreak of COVID-19 epidemic resulting lock-down in a number of cities in the PRC and postponement of business resumption after the Chinese New Year holiday would cause to the slow down of Chinese economic development. Given it is difficult to estimate how much longer the situation will persist and the extent of impacts to the business, the Group will take a prudent approach to explore business opportunities and strategic investment beneficial to the Group and the Shareholders as a whole.

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

### **The Property Segment**

In March 2019, the Group completed an acquisition of a company with principal assets being a residential property of Villa Bel-Air, Hong Kong. The Group considers that this acquisition would further diversify the Group’s portfolio of investment properties and strengthen the Property Segment. The Group takes an optimistic view on the outlook for the property market in long term notwithstanding that the management believes that 2020 is set to be challenging year as the outbreak of COVID-19 epidemic is expected to undermine business and property market sentiment for both Hong Kong and the PRC. The Group holds investment properties including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District, Shenzhen. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC governments. The accessibility of Guangming District has been greatly enhanced by the connection of Shenzhen Metro Line 6 and its development is expected to be further bolstered by the PRC government development plan for the districts. It is expected that the growth engine for the development of these two districts will be the investors within Shenzhen City or from other regions of the PRC. The Group is finalising its refurbishment plan for the investment properties at Realord Villas and is expected to commence the refurbishment work in June 2020, subject to any restrictions or government measures in place in response to the outbreak of COVID – 19. The Group aims to complete the refurbishment work around the fourth quarter of 2020. Meanwhile, pre-leasing activities are initiated for certain investment properties at Realord Villas. So far, a few units were leased, with tenants including renowned supermarket.



The Group has initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The Qiankeng property was acquired by the Group in June 2016 and the application for urban redevelopment of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區城市更新局 (Shenzhen Longhua District Urban Renewal Bureau) in May 2017. It was subsequently agreed in principle that would be changed from indemnificatory housing to affordable commodity housing in early 2020. It was noted that the Qiankeng property has been included in the relevant urban renewal bureau's announcement regarding the proposed urban redevelopment plan for the Longhua District of 2019, and has also been included as a major renewal project of Longhua District in early 2020. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2020, subject to government schedules, and thereafter the redevelopment works will commence.

The Group was also selected by relevant stakeholders as the market elected developer of a redevelopment project located in Nanshan District, Shenzhen and is in the process of seeking the approval from the relevant PRC authorities to confirm its role as the developer for the project. Subject to obtaining the necessary government approvals on the redevelopment and the local residents vacating from the aforesaid site, the demolition of the existing properties and the redevelopment works on the aforesaid site will commence.

### **The EP Segment**

The Group's operation of the EP Segment has been shifted to Malaysia and Japan in FY2019. While the Group strives to maintain its turnover with customers based in the PRC under the current operation model, the outbreak of COVID-19, which lingered the contraction of commodity price and caused a sluggish global demand weighed on the customer confidence, is expected to negatively affect the profitability of the EP Segment. The Group will closely monitor the development of the situation and continue to explore the business opportunities in Japan and Malaysia markets following the good start in its Japan's operation. The Group is expanding its processing plant in Osaka, Japan to strengthen its establishment and productivity for the local Japanese market. With the expanded capacity, the Group targets to process and offer more diversities of products, which would better serve the local Japanese demand.

In relation to the Group's acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("Realord EP") completed in 2017, as the target profit (being the consolidated net profit after income tax of the group of Realord EP after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of

properties and the associated deferred tax charged to the statement of profit or loss) of not less than HK\$50 million for the year ended 31 December 2018 as agreed under the terms of relevant agreement has been fulfilled, 2,500,000 new shares of the Company were allotted and issued as consideration shares to the vendor in June 2019. Details of the fulfillment of the target profit was set out in the announcement of the Company dated 31 May 2019.

### **The Financial Services Segment**

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

Another Company's subsidiary, Realord Asia Pacific Securities Limited ("Realord Securities", previously known as Realord Manureen Securities Limited), is undergoing expansion. During FY2019, seasoned expertise were recruited to join the management team and new shares of Realord Securities were issued to an independent third party for subscription of such shares in cash. The aforesaid subscription resulted in a deemed disposal of 9.9% of the Group's interests in Realord Securities. During the year under review, Realord Securities also participated in primary market as joint book runner and underwriter while reinforcing its current brokerage and margin financing business. Realord Asia Pacific Asset Management Limited, the assets management arm of the Financial Services Segment is also preparing for the launch of investment funds.

It is the Group's target to build a one-stop financial services platform with good branding and market positioning and provide comprehensive financial service to our customers under the Financial Services Segment. However, in view of the uncertainties on business sentiment and economic activities globally, mergers and acquisitions activities and IPO projects in the market may be delayed or suspended which would have negative impact on the progress of the Group's business plan for the Financial Services Segment.

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

### **The MVP Segment**

Although the outbreak of COVID-19 epidemic would have negatively impacted the business activities, the Group expects the demand on motor vehicle parts will be stable as the subdued economy would induce the consumers to repair the existing vehicles in lieu of purchasing new ones. The Group will continue to take a prudent approach (including to apply tight credit control measures) in developing the business of MVP Segment in 2020.

### **The Commercial Printing Segment**

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

### **The Hangtag Segment**

The Group takes a pessimistic view on the outlook for the Hangtag Segment and considers that 2020 will be an extremely challenging year. The Directors will review and assess the risks, benefits and prospects thereof along the operations.

## **LITIGATION AND CONTINGENT LIABILITIES**

Save as disclosed in note 15 to the unaudited consolidated financial statements of the Group as contained in this announcement, the Group has no other significant litigation and contingent liabilities.

## **EVENTS AFTER REPORTING PERIOD**

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impacts on the financial position and operating results of the Group.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had a total workforce of 268, of whom 137, 120 and 11 were based in Hong Kong, the PRC and Japan. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.



## **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 maintain good corporate governance practices. In the opinion of the Directors, the Company has complied all code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2019.

## **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") as contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2019.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

Due to the travel restrictions and quarantine measures in connection with the outbreak of COVID-19 epidemic, the audit process for the Group's annual results for FY2019 (including the audit field works conducted by the Company's auditors in the PRC and the Group's provision of relevant records and information kept in the PRC as audit supporting documents) has been disrupted. As a result, the audit process on FY2019 annual results of the Group has not been completed as at the date of this announcement and the unaudited annual results contained herein have not been agreed with the Company's auditors in accordance with Rule 13.49(2) of the Listing Rules.

The Company has established the Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises three members, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, who are all independent non-executive Directors. The Audit Committee has reviewed with the management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control system and financial reporting matters of the Group. The Audit Committee has also reviewed the unaudited consolidated financial statements of the Group for the year ended 31 December 2019.

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

This unaudited annual results announcement is published on the Company's website (<http://www.realord.com.hk>) and the Stock Exchange's website (<http://www.hkexnews.hk>).

Following the completion of the audit process, the Company will issue further announcement(s) in relation to the annual results for FY2019 that have been agreed by the Company's auditors and explanation of any material difference thereof as compared to the unaudited annual results contained in this announcement. The Company expects that the annual results of the Group that have been agreed with the auditors will be available by 9 April 2020. In addition, the Company will issue further announcement as and when necessary if there is other material development in the completion of the audit process.

The annual report containing all the information required by the Listing Rules is expected to be dispatched to the Shareholders and available on the abovementioned websites on or before 30 April 2020.

**The unaudited financial information contained herein in respect of the annual results of the Group for FY2019 have not been audited or agreed with the Company's auditors. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Realord Group Holdings Limited**  
**Lin Xiaohui**  
*Chairman*

Hong Kong, 30 March 2020

*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.*