THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Realord Group Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN REALORD VENTURES LIMITED AND MANUREEN VENTURES LIMITED; AND (2) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to Realord Group Holdings Limited

Optima Capital Limited

Independent financial adviser to

the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智 略 資 本

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A notice convening the SGM to be held at 11:00 a.m. on Friday, 13 April 2018 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

23 March 2018

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendors pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 18 January 2018 entered into among the Company and the Vendors in relation to the Acquisition
"Ancillary Net Items"	the assets and liabilities of the Target Group which are not related to the Properties, including other property, plant and equipment, trade and other receivables, trade and other payables and income tax payable
"Announcement"	the announcement of the Company dated 18 January 2018 in relation to the Acquisition
"Audited Accounts"	the audited accounts of Realord Investment prepared in accordance with the Hong Kong Financial Reporting Standards
"Board"	the board of Directors
"Bureau"	深圳市市場監督管理局 (Market and Quality Supervision Commission of Shenzhen Municipality*)
"Business Day(s)"	a day(s) (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong generally open for business throughout their normal business hours
"BVI"	British Virgin Islands
"Cash Consideration"	the portion of the Total Consideration to be settled in cash
"Commercial Printing Business"	provision of financial printing, digital printing and other related services
"Company"	Realord Group Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1196)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Accounts"	the audited consolidated accounts of the Target Group as at Completion, which shall be prepared in accordance with Hong Kong Financial Reporting Standards

"Components Trading Business"	trading of electronic components
"Consideration Shares"	the new Shares to be issued by the Company for the part payment of the consideration
"Director(s)"	director(s) of the Company
"Dr. Lin"	Dr. Lin Xiaohui, being an executive Director and spouse of Madam Su
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"Environmental Protection Business"	dismantling and trading of scrap materials and, sourcing scrap materials as an agent
"Financial Services Business"	provision of securities brokerage services and margin financing
"First Tranche Promissory Notes"	the first tranche of the promissory notes to be issued by the Company to settle part of the Total Consideration at Completion
"FY2015"	the financial year ended 31 December 2015
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"Government Residentials"	the six blocks of high-rise residential building of Realord Villas which have been delivered to the local government at cost
"Group"	the Company and its subsidiaries
"Guanlan Property"	a commercial/apartment building, retail shops and all car parking spaces of the Realord Villas, which is a mixed residential and commercial development located on the southern side of Huangan South Road within the Guanlan High-Tech Industrial Park of Guanlan
"Guangming Land"	a bare land situated at southwestern side of Jufeng Road within Guangming High-Tech Industrial Park of Guangming New District, Shenzhen with a site area of approximately 12,600 sq.m. for industrial use
"Guangming Property"	2 blocks of office building located on the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park of Guangming New District, Shenzhen with a site area of approximately 8,000 sq.m.

"Hangtag Business"	manufacture and sale of hangtags, labels, shirt paper boards and plastic bags
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee to be established by the Board to make recommendation to the Acquisition
"Independent Shareholders"	Shareholders other than the Vendors, Manureen Holdings and their respective associates and other Shareholders who have a material interest in the Acquisition
"Issue Price"	the issue price of HK$4.738 per Consideration Share
"Last Trading Day"	17 January 2018, being the last trading day prior to the date of the Acquisition Agreement
"Latest Practicable Date"	21 March 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Madam Su"	Madam Su Jiaohua, being an executive Director and spouse of Dr. Lin
"Manureen Holdings"	Manureen Holdings Limited, a company incorporated in the BVI with limited liability
"Manureen Technology"	美林科技(深圳)有限公司 (Manureen Technology (Shenzhen) Limited*), a company established in the PRC with limited liability
"Manureen Ventures"	Manureen Ventures Limited, a company incorporated in the BVI with limited liability
"Motor Vehicles Parts Business"	distribution and sale of motor vehicles parts
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan
"PRC Subsidiaries"	Manureen Technology, Shenzhen Weilu, Shenzhen Sherpe, Shenzhen Manureen and Realord Realty

"Promissory Notes"	the promissory notes to be issued by the Company to settle part of the Total Consideration
"Properties"	the Guanlan Property, the Guangming Property, the Guangming Land and the Staff Housings
"Properties Valuation"	the independent valuation of the Properties conducted by Roma Appraisals Limited
"Qiankeng Property"	the land, together with six factory buildings, an office building, two dormitory buildings, and other ancillary buildings situated at the Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC
"Realord Investment"	Realord Investment Limited, a company incorporated in the BVI with limited liability
"Realord Investment Group"	Realord Investment and its direct and indirect subsidiaries
"Realord Realty"	深圳市偉祿置業有限公司 (Shenzhen Realord Realty Co. Ltd*), a company established in the PRC with limited liability
"Realord Technology"	Realord Technology Holdings Limited, a company incorporated in Hong Kong with limited liability
"Realord Ventures"	Realord Ventures Limited, a company incorporated in the BVI with limited liability
"Realord Villas"	the properties located on the southern side of Huangan South Road within Guanlan High-Tech Industrial Park of Guanlan and consists of six blocks of residential building, the Guanlan Property and other communal facilities
"RIH"	Realord Investment Holdings Limited, a company incorporated in Hong Kong with limited liability
"Sale Shares"	1,000 shares of US$1 each in Realord Ventures and 1,000 share of US$1 each in Manureen Ventures, representing entire equity interest in both companies
"Second Tranche Promissory Notes"	the second tranche of the promissory notes to be issued by the Company to settle part of the Total Consideration
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the resolution in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Share Consideration"	the consideration payable by the Company to the Vendors for the Sale Shares pursuant to the Acquisition
"Shareholder's Loan"	a loan to be provided by the Company to the Target Group for repayment of the Target's Outstanding Debts as at the date of Completion on a dollar for dollar basis
"Shenzhen Manureen"	美林商業運營管理有限公司 (Shenzhen Manureen Commercial Operation Management Co. Ltd*), a company established in the PRC with limited liability
"Shenzhen Sherpe"	深圳市夏浦光電技術有限公司 (Shenzhen Sherpe Photoelectricity Technology Co. Ltd*), a company established in the PRC with limited liability
"Shenzhen Weilu"	深圳市偉祿科技控股有限公司 (Shenzhen Weilu Technology Holdings Co. Ltd*), a company established in the PRC with limited liability
"sq.m."	square meter
"Staff Housings"	four social housing units of 福保桂花苑 (Fu Bao Gui Hua Yuan*) located on the southern side of Gui Hua Road within Futian Free Trade Zone of Shenzhen
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Realord Ventures, Manureen Ventures and the Realord Investment Group
"Target's Outstanding Debts"	the aggregate amount of the outstanding debts owed by the Target Group to other parties in relation to the Properties, including the Vendors, companies controlled by any of them (excluding the Target Group), suppliers/contractors and the outstanding bank borrowings and bonds owed by the Target Group, net of advance paid to these parties (if any) and bank balances and cash of the Target Group, as at the date of Completion

"Trading Business"	trading of electronic products and computer equipment
"Total Consideration"	the total consideration to be payable by the Company (i) in cash; (ii) by way of issue of the Promissory Notes; and (iii) by way of issue of Consideration Shares
"Track Record Period"	the periods comprising FY2015, FY2016 and FY2017
"Valuation Report"	the valuation report of the Properties Valuation as set out in Appendix VI to this circular
"Veda Capital"	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transaction contemplated thereunder
"Vendors"	Dr. Lin and Madam Su
"Zhangkengjing Company"	深圳市樟坑徑股份合作公司 (Shenzhen Zhangkengjing Joint Stock Company*), a joint stock company held by local communal organization in Zhangkengjing, Shenzhen
"Zhangkengjing Land"	land with a total area of approximately 5,730 sq.m., which is situated at Zhangkengjing, Guanlan, Longhua New District, Shenzhen, the PRC and is currently for industrial use
"Zhangkengjing Property"	the land and a factory compound and two dormitory buildings situated at Zhangkeng Residents' Association of Zhangkengjing Community, Guanlan Street, Baoan District, Shenzhen, the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For illustration purpose, amounts in RMB in this circular are translated into HK$ at the rate of RMB1 = HK$1.2007 which should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at all.

* *the English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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

(Incorporated in Bermuda with limited liability)
(Stock code: 1196)

Executive Directors:
Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive Directors:
Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

23 March 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN REALORD VENTURES LIMITED AND MANUREEN VENTURES LIMITED

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that on 18 January 2018, the Company and the Vendors entered into the Acquisition Agreement, pursuant to which (i) the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares for the Share Consideration of approximately RMB3,948 million (equivalent to approximately HK$4,741 million) (subject to adjustment); and (ii) the Company has also conditionally agreed to provide the Shareholder's Loan to the Target Group for the settlement of the Target's Outstanding Debts as at the date of Completion on a dollar for dollar basis. As at 31 December 2017, the Target's Outstanding Debts amounted to approximately RMB2,378 million (equivalent to approximately HK$2,855 million).

The Total Consideration comprising the Share Consideration and the Shareholder's Loan of approximately RMB6,326 million (equivalent to approximately HK$7,596 million) (subject to adjustment) will be satisfied (i) by way of cash in an amount between RMB3,000 million (equivalent to approximately HK$3,602 million) and RMB3,600 million (equivalent to approximately HK$4,323 million) (i.e. Cash Consideration); (ii) as to approximately RMB1,109 million (equivalent to approximately HK$1,331 million) by way of allotment and issue of 280,998,482 Consideration Shares at the Issue Price of HK$4.738 per Consideration Share; and (iii) by way of the issue of the Promissory Notes in two tranches with an aggregate principal amount ranging from approximately RMB1,617 million (equivalent to approximately HK$1,942 million) to approximately RMB2,217 million (equivalent to approximately HK$2,662 million) (subject to the final amount of the Cash Consideration).

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. In addition, given the Vendors are Directors and Manureen Holdings (being the noteholder of the Promissory Notes nominated by the Vendors) is a controlling Shareholder and thus connected persons of the Company, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the SGM.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independents Shareholders in respect of the Acquisition; (iii) the letter of advice from Veda Capital to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the financial information of the Group; (v) the financial information of the Target Group; (vi) the unaudited pro forma financial information of the Enlarged Group; (vii) the Valuation Report; (viii) a notice convening the SGM; and (ix) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENT

Date

18 January 2018

Parties

Purchaser	:	the Company
Vendors	:	Dr. Lin, the sole and beneficial owner of 100% equity interest in Realord Ventures
	:	Madam Su, the sole and beneficial owner of 100% equity interest in Manureen Ventures

Given that Dr. Lin and Madam Su are executive Directors, they are connected persons of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

The assets to be acquired under the Acquisition Agreement are the Sale Shares, which represent the entire equity interest in Realord Ventures and Manureen Ventures. Realord Ventures and Manureen Ventures respectively hold 70% and 30% of the equity interest in Realord Investment. The principal assets of the Target Group are the Properties, details of which are set out in the section headed "Information on the Target Group" below.

Total Consideration

It has been agreed that the Total Consideration of RMB6,326,150,579 (equivalent to approximately HK$7,596 million) (subject to adjustment to the Ancillary Net Items as at the date of Completion) will be split into the Share Consideration and the Shareholder's Loan. As the Shareholders' Loan will be provided by the Company to the Target Group for the full settlement of the Target's Outstanding Debts as at the date of the Completion on a dollar for dollar basis, the actual amount of the Shareholders' Loan will be determined based on the amount of the Target's Outstanding Debts as at the date of Completion as shown on the Completion Accounts. After the Target's Outstanding Debts as at the date of Completion and thus the amount of the Shareholder's Loan have been ascertained, the remaining amount of the Total Consideration will be the Share Consideration. The Target's Outstanding Debts represented the aggregate amount of the outstanding debts owed by the Target Group in relation to the Properties (including the debts due to Vendors, companies controlled by any of them, suppliers/contractors and the outstanding bank borrowings and bonds owed by the Target Group), net of advance paid to these parties (if any) and bank balances and cash of the Target Group, as at the date of Completion. According to the Audited Accounts set out in Appendix IV, as at 31 December 2017, the Target's Outstanding Debts amounted to approximately HK$2,855 million.

For illustration purpose, assuming the balance of the Target's Outstanding Debts remains at approximately HK$2,855 million as at the date of Completion, the Total Consideration would be apportioned as to (i) approximately HK$2,855 million attributable to the Shareholder's Loan; and (ii) approximately HK$4,741 million attributable to the Share Consideration.

The Total Consideration of RMB6,326,150,579 (equivalent to approximately HK$7,596 million) (subject to adjustment to the Ancillary Net Items as at the date of Completion as detailed below) calculated based on the Audited Accounts as at 31 December 2017 shall be satisfied by the Company in the following manner:

(i) as to an amount between RMB3,000,000,000 (equivalent to approximately HK$3,602,100,000) and RMB3,600,000,000 (equivalent to approximately HK$4,322,520,000) payable by way of cash at Completion (i.e. the Cash Consideration);

(ii) as to RMB1,108,828,856 (equivalent to approximately HK$1,331,370,808) by way of allotment and issuance of 280,998,482 Consideration Shares at the Issue Price of HK$4.738 per Consideration Share at Completion;

(iii) as to an amount between RMB1,517,321,723 (equivalent to approximately HK$1,822 million) and RMB2,117,321,723 (equivalent to approximately HK$2,542 million) by way of the issue of the First Tranche Promissory Note at Completion; and

(iv) as to RMB100,000,000 (equivalent to approximately HK$120,070,000) (subject to adjustment) by way of the issue of the Second Tranche Promissory Note within 5 Business Days following the issue of the Completion Accounts.

Pursuant to the Acquisition Agreement, the exact amount of the Cash Consideration and the portion of the Total Consideration to be settled by way of the First Tranche Promissory Note shall be determined by the Company at its discretion before Completion. For illustrative purpose, assuming the Cash Consideration is RMB3,000 million (equivalent to approximately HK$3,602 million), the portion of the Total Consideration to be settled by the First Tranche Promissory Notes would be approximately RMB2,117 million (equivalent to approximately HK$2,542 million). If the Cash Consideration amounted to RMB3,600 million (equivalent to approximately HK$4,323 million), the portion of the Total Consideration to be settled by the First Tranche Promissory Notes would be RMB1,517 million (equivalent to approximately HK$1,822 million).

Pursuant to the Acquisition Agreement, the Cash Consideration will be payable in form of the Shareholder's Loan to be provided by the Company to the Target Group for the full settlement of the Target's Outstanding Debts as at the date of Completion. Shall there be surplus of the Cash Consideration after full settlement of the Target's Outstanding Debts, the balance of the Cash Consideration will be payable to the Vendors directly as part payment of the Share Consideration. For illustration purpose, assuming the Target's Outstanding Debts as at the date of Completion is approximately RMB2,378 million (equivalent to approximately HK$2,855 million), the Cash Consideration in the same amount will be payable in form of the Shareholder's Loan. The remaining balance ranging from approximately RMB622 million (equivalent to approximately HK$747 million) (where the Cash Consideration amounts to RMB3,000 million) to RMB1,222 million (equivalent to approximately HK$1,468 million) (where Cash Consideration amounts to RMB3,600 million) will be payable to the Vendors directly as part payment of the Share Consideration.

The Total Consideration was arrived at with reference to the sum of (i) the Properties Valuation of approximately RMB6,220 million (equivalent to approximately HK$7,468 million) as at 30 September 2017; and (ii) the amount of the Ancillary Net Items as at the date of Completion. As the appraised value of both Guangming Land and the Staff Housings is zero as at 30 September 2017, the preliminary Properties Valuation of RMB6,220 million (equivalent to approximately HK$7,468 million) was attributable to the appraised value of (i) the Guanlan Property of approximately RMB3,300 million (equivalent to approximately HK$3,962 million); and (ii) the Guangming Property of approximately RMB2,920 million (equivalent to approximately HK$3,506 million) as at 30 September 2017. According to the Valuation Report, the Properties Valuation as at 31 December 2017 amounted to RMB6,400 million (equivalent to approximately HK$7,684 million). No adjustment to the Total Consideration in this regard.

The Ancillary Net Items represented the sum of all the assets and liabilities of the Target Group which are not related to the Properties as at Completion. For illustrative purpose and based on the Audited Accounts set out in Appendix IV, the Ancillary Net Items as at 31 December 2017 of approximately HK$127.5 million comprised of the following:

	HK$'000
Other property, plant and equipment (including computer systems, furniture, fixtures and equipment and motor vehicles)	715
Trade and other receivables	181,608
Trade and other payables (excluding accrued expenditure on construction, which formed part of the Target's Outstanding Debts)	(52,315)
Income tax payable	(2,553)
Ancillary Net Items	**127,455**

For the avoidance of doubt, (i) buildings (included under property, plant and equipment), prepaid lease payments, stock of properties as at 31 December 2017 as disclosed in the Audited Accounts; and (ii) accrued expenditure on construction (included under trade and other payables), amount due to related companies and directors, bank borrowings, bonds and finance lease obligations (net of pledged bank deposits and bank balances and cash) which represented the aggregate amount of the Target's Outstanding Debts owed by the Target Group in relation to the Properties as at 31 December 2017, do not form part of the Ancillary Net Items given they all are related to the Properties.

The Total Consideration is subject to a dollar-for-dollar adjustment to the amount of the Ancillary Net Items as shown on the Completion Accounts. Pursuant to the Acquisition Agreement, the Company shall procure the auditors appointed by the Company to prepare and provide the Completion Accounts within five months from the date of Completion. According to the Audited Accounts as set out in Appendix IV to this circular, as at 31 December 2017, the Ancillary Net Items amounted to approximately HK$127.5 million. For illustration purpose, assuming the balance of the Ancillary Net Items remain at approximately HK$127.5 million as at the date of Completion, the Total Consideration will be approximately RMB6,326 million (equivalent to approximately HK$7,596 million).

As the Total Consideration was determined based on the Properties Valuation as at 30 September 2017 and the amount of the Ancillary Net Items (i.e. being the sum of all the assets and liabilities of the Target Group that are not related to the Properties) as at the date of Completion, and the Vendors have warranted that the Target Group shall not have any debts or liabilities outstanding as at the date of Completion other than the liabilities included in the Ancillary Net Items and the Shareholder's Loan, the Directors consider that the Total Consideration determined in this manner is fair and reasonable.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

(i) the Vendors having obtained all necessary consents, authorisations and approvals in respect of the Acquisition;

(ii) the Company having obtained all necessary consents, authorisations and approvals in respect of the Acquisition;

(iii) there being no situation, facts or circumstances which constitute or may constitute any breach of warranties under the Acquisition Agreement;

(iv) the Company and/or a wholly-owned subsidiary of the Company having obtained bank and/or other facilities of not less than RMB3,000 million on such terms and conditions satisfactory to the Company;

(v) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares under specific mandate);

(vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;

(vii) the Company having obtained a legal opinion issued by a firm of PRC lawyers appointed by the Company in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the legality in respect of the ownership of assets and operation of business by the Target Group after Completion, the due incorporation and valid existence of the PRC Subsidiaries, and whether the PRC Subsidiaries have obtained all the approvals, permits, licences) in such form and substance satisfactory to the Company;

(viii) the Company being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Company;

(ix) the Stock Exchange not having deemed the Acquisition as a reverse takeover under Chapter 14 of the Listing Rules; and

(x) the Properties Valuation being not be less than RMB6.2 billion in such form and substance satisfactory to the Company.

The Company may at any time waive the conditions set out in (iii), (vii) and (viii) above by notice in writing to the Vendors. No other conditions may be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Company (as the case may be) on or before 31 March 2018 (extended to 30 April 2018 by an extension letter dated 21 March 2018) (or such later date as agreed by the parties to the Acquisition Agreement in writing), the Acquisition Agreement shall cease and determine and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

As at the Latest Practicable Date, the Company did not waive any of the conditions and none of the conditions above have been fulfilled.

Completion

Completion shall take place within three Business Days after all the conditions precedent under the Acquisition Agreement having been fulfilled or waived by the Company (as the case may be) (or such other date as agreed by the parties to the Acquisition Agreement).

Upon Completion, Realord Ventures and Manureen Ventures will become wholly-owned subsidiaries of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

CONSIDERATION SHARES

Pursuant to the terms of Acquisition Agreement, 280,998,482 Consideration Shares will be allotted and issued at the Issue Price of HK$4.738 per Consideration Share, and there is no restriction on the subsequent sale of the Consideration Shares. The Issue Price of HK$4.738 per Consideration Share represents:

(i) a discount of approximately 7.82% to the closing price of HK$5.14 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 7.46% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, being approximately HK$5.120 per Share;

(iii) a discount of approximately 8.74% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day, being approximately HK$5.192 per Share;

(iv) a discount of approximately 9.49% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day, being approximately HK$5.235 per Share;

(v) a discount of approximately 11.59% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day, being approximately HK$5.359 per Share;

(vi) a discount of approximately 4.38% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day, being approximately HK$4.955 per Share;

(vii) the average of the closing prices of Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day, being approximately HK$4.738 per Share;

(viii) a premium of approximately 3.72% over the average of the closing prices of Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day, being approximately HK$4.568 per Share;

(ix) a premium of approximately 1.78% over the average of the closing prices of Shares as quoted on the Stock Exchange for the last 12 months up to and including the Last Trading Day, being approximately HK$4.655 per Share;

(x) a discount of approximately 0.04% to the closing prices of HK$4.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(xi) a premium of approximately 438.41% over the unaudited consolidated equity attributable to the Shareholders of approximately HK$0.88 per Share as at 30 June 2017 (based on the unaudited consolidated equity attributable to the Shareholders of approximately HK$1,007,373,000 as at 30 June 2017 as disclosed in the interim report of the Company for the six months ended 30 June 2017 and 1,150,751,398 Shares in issue as at the Latest Practicable Date).

The Issue Price of HK$4.738 per Consideration Share was determined after arm's length negotiations between the Company and the Vendors with reference to the prevailing market prices of the Shares. The Directors consider that the Issue Price is fair and reasonable given (i) it represented a slight premium to the average closing price of the Shares during the last 12 months prior to the date of the Acquisition Agreement; (ii) comparison with the 12-month average of the Shares price is sensible which indicates the general trend of the prevailing performance of the Shares although the Share prices fluctuated significantly during this period; (iii) the discounts represented by the Issue Price to closing price of the Shares on the Last Trading Day, to the 5-day average of the closing prices and the 10-day average of the closing prices all fall within the range of the comparable transactions which involved issue of consideration shares to a connected person and announced within three months prior to the Last Trading Day. The aforesaid comparable transactions include transactions firstly announced by (i) Differ Group Holding Company Limited (stock code: 6878) on 21 November 2017; (ii) China Fire Safety Enterprise Group Limited (stock code: 445) on 4 December 2017; (iii) Beijing Gas Blue Sky Holdings Limited (stock code: 6828) on 28 December 2017; (iv) V1 Group Limited (stock code: 82) on 4 January 2018; (v) China Zenith Chemical Group Limited (stock code: 362) on 5 January 2018; and (vi) Sino Biopharmaceutical Limited (stock code: 1177) on 5 January 2018. Having excluded V1 Group Limited (an outlier having higher premium of the issue price over the closing price of its shares among the comparable transactions), the issue price of the relevant consideration share in these comparable transactions illustrated a range (i) between 0.3% premium over and 20.4% discount to the closing price of the relevant share on the last trading day before the relevant announcement; (ii) between 0.0% premium over and 16.8% discount to the 5-day average of the closing price of the relevant share before the relevant announcement; and (iii) between 1.8% premium over and 16.8% discount to the 10-day average of the closing price of the relevant share.

The 280,998,482 Consideration Shares, when allotted and issued, will represent (i) approximately 24.42% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 19.63% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares. As such, the allotment and issuance of the Consideration Shares will not result a change of control of the Company.

The Consideration Shares will be allotted and issued under special mandate of the Company to be sought at the SGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares then in issue.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

THE PROMISSORY NOTES

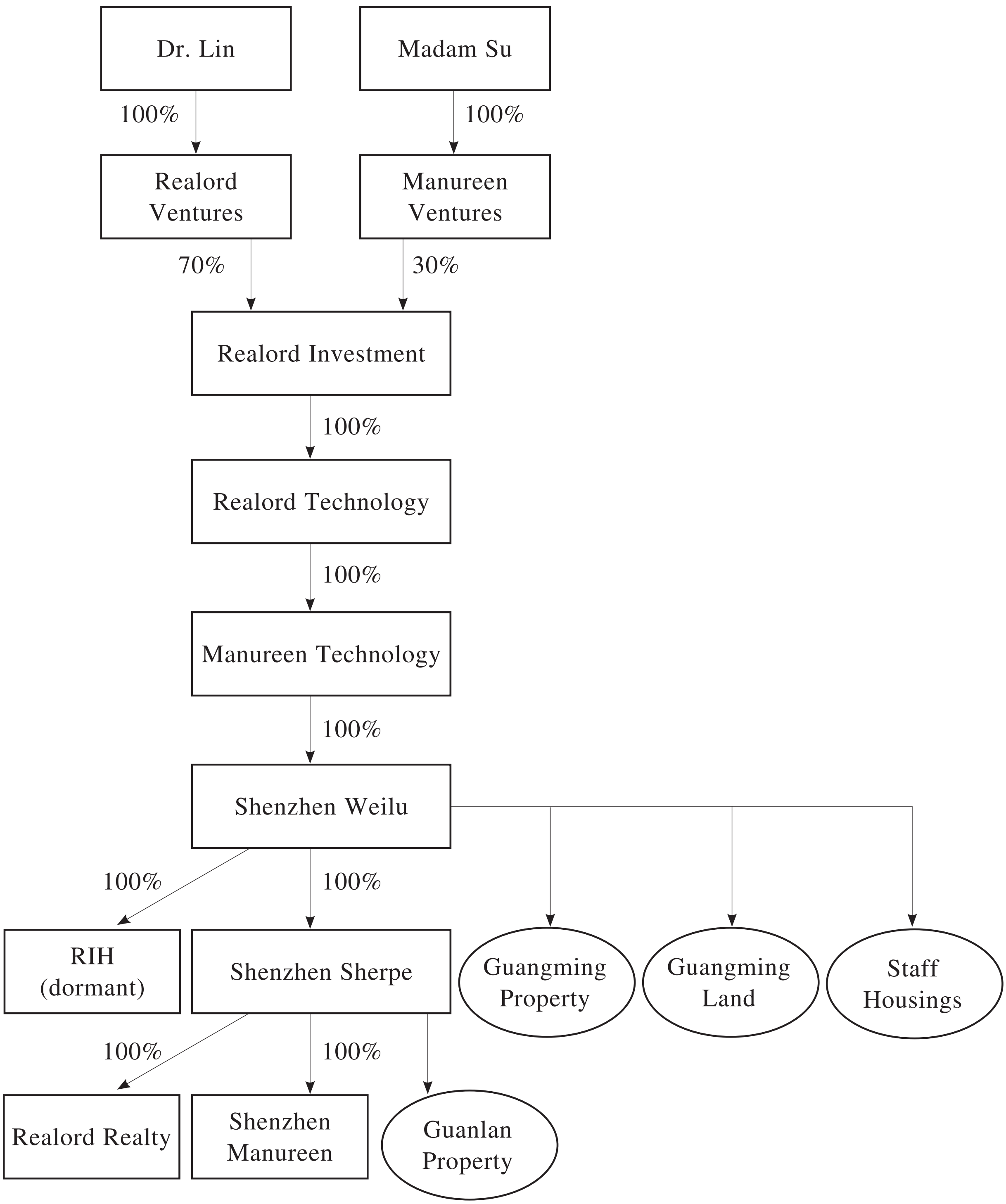
The principal terms of the Promissory Notes are as follows:

Issuer:	the Company
Noteholder:	Manureen Holdings, being the nominee of the Vendors
Principal amount with issue date:	(i) First Tranche Promissory Notes: from RMB1,517,321,723 to RMB2,117,321,723 to be issued at Completion (ii) Second Tranche Promissory Notes: RMB100,000,000 (subject to adjustment) within 5 Business Days following the issue of the Completion Accounts
Maturity:	the date falling on the fifth anniversary of the date of the respective issue of Promissory Notes
Interest:	at an interest rate equivalent to 2% less than the interest rate of the bank and/or other facilities to be actually obtained by the Company and/or any wholly-owned subsidiary of the Company for the payment of the cash portion of the Total Consideration The Directors consider that the interest rate of the Promissory Notes is favourable to the Company and the Shareholders as a whole given it ensures that the Company will not offer to the Vendor an interest rate higher than its cost of debt
Early redemption:	the Company may redeem all or part of the outstanding principal amount of the Promissory Notes at any time prior to the maturity date by serving not less than 10 Business Days' prior written notice to the noteholder, provided that each redemption shall be made in the principal amount of not less than RMB1,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Notes is less than RMB1,000,000)
Transferability:	the Promissory Notes are transferrable

As Manureen Holdings, which is nominated by the Vendors as the noteholder of the Promissory Notes under the Acquisition Agreement, is owned as to 70% and 30% by Dr. Lin and Madam Su respectively and is the controlling Shareholder holding 790,001,518 Shares, representing 68.65% of the issued Shares as at the Latest Practicable Date, Manureen Holdings is a connected person of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON THE TARGET GROUP

Set out below is the group structure of the Target Group as at the Latest Practicable Date:



The major operating subsidiaries of the Target Group were Shenzhen Weilu and Shenzhen Sherpe, through which the Target Group was previously engaged in trading of electronic components (i.e. the Components Trading Business) and property development business. However, the scale of the Trading Business was minimal in FY2015 and FY2016 (merely one single transaction in each year) and no transaction has been carried out in FY2017. The number of staff responsible for the Trading Business has also reduced to zero since 2016. Further, after completion of the construction and development of the Guanlan Property and the Guangming Property, the Target Group is no longer engaged in property development business. The Target Group currently only holds (i) the Guanlan Property; (ii) the Guangming Property; (iii) the Guangming Land; and (iv) the Staff Housings. The existing six staff of the Target Group, which previously oversaw the property development of the Guanlan Property and the Guangming Property, will be responsible for overseeing the leasing of these properties after Completion.

The substance of the Acquisition was Guanlan Property and the Guangming Property, given both the Staff Housings and the Guangming Land have no commercial value according to the Valuation Report. Set out below are the details of the Properties and the existing qualification and agreement of the Target Group:

The Guanlan Property

The Guanlan Property comprises a commercial/apartment building, retail shops and all car parking spaces with a total gross floor area (excluding all car parking spaces) of approximately 51,039 sq.m. and is situated within the Realord Villas, which is a mixed residential and commercial development located on the southern side of Huangan South Road within the Guanlan High-Tech Industrial Park of Guanlan. The Realord Villas was developed by Shenzhen Sherpe. As at the Latest Practicable Date, the Guanlan Property remains vacant while the six blocks of high-rise residential building of the Realord Villas (i.e. the Government Residentials) have been delivered to the local government at cost (i.e. approximately RMB796.2 million, excluding tax) in September 2017 according to the terms agreed between the Target Group and the government for the approval of the development of Realord Villas at the outset. Accordingly, the Total Consideration has not taken into account the Government Residentials. According to the Valuation Report, the appraised value of the Guanlan Property as at 31 December 2017 amounted to approximately RMB3,480 million (equivalent to approximately HK$4,178 million), which was RMB180 million higher than the valuation as at 30 September 2017. The Total Consideration was determined based on the Properties Valuation as at 30 September 2017.

The Company intends to hold the Guanlan Property for rental purpose after Completion. It is expected that the lease of the Guanlan Property will commence in second quarter of 2018.

The Guangming Property

The Guangming Property consists of two blocks of office building with 26 storeys and 4 storeys over a basement car park respectively, with a total gross floor area (excluding basement carpark) of approximately 53,973 sq.m. The Guangming Property was developed by the Target Group and its construction work has been completed in 2017. It is ready for rental as at the Latest Practicable Date. According to the Valuation Report, the appraised value of the Guangming Property as at 31 December 2017 amounted to approximately RMB2,920 million (equivalent to approximately HK$3,506 million), which was same as the valuation as at 30 September 2017.

The Company intends to hold the Guangming Property for rental purpose after Completion. It is expected that the lease will commence in second quarter of 2018.

The Guangming Land

The Guangming Land is a bare land with a site area of approximately 12,599 sq.m. located at the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park of Guangming New District. It is for industrial use and is currently vacant. According to the Valuation Report, the appraised value of the Guangming Land as at 31 December 2017 was nominal only.

As the Target Group will not engage in property development business after Completion, the Guangming Land is intended to be held as investment assets of the Group after Completion.

The Staff Housings

The Staff Housings comprise four social housing units of Fu Bao Gui Hua Yuan, which is a property estate located on the southern side of Gui Hua Road within the Futian Free Trade Zone of Shenzhen. Its total gross floor area is approximately 352 sq.m.. It was acquired by the Target Group from the government authorities and it is currently occupied as staff quarters of the Target Group. As at the Latest Practicable Date, the certificate of real estate ownership in respect of the Staff Housings has not been obtained. In the absence of which, the PRC legal adviser advised that the Target Group is not allowed to change the nature of the Staff Housings from affordable housing (經濟適用房) to commodity housing (商品房), and thus is not allowed to transfer, lease (except for leasing to the staff), or pledge the title of the Staff Housings. As the transfer of the Staff Housings is subject to the approval by the relevant government authority (i.e. not freely-transferrable), the appraised value of the Staff Housings as at 31 December 2017 is zero according to the Valuation Report. In the event that it becomes freely transferrable, its capital value as at 31 December 2017 would be in the region of RMB22,700,000 for indication purpose only. For the avoidance of doubt, the Company has only taken into account the appraised value of the Staff Housings at its non-freely-transferrable status (i.e. zero) when determining the Total Consideration.

The Company intends to maintain the existing use of the Staff Housings after Completion. Having considered that the aforesaid usage of the Staff Housings upon Completion and with the PRC legal adviser's advice that ownership of the Staff Housings is vested in the Target Group, the Directors consider that the absence of the abovementioned certificate in respect of the Staff Housings will not have adverse financial impact on the Group. Yet, the Group will not be able to realise the Staff Housings for capital gain after Completion unless such certificate is obtained.

Existing qualification and agreement

As advised by the PRC legal advisers of the Company, under 《城市房地產開發經營管理條例》 (The Laws on the Administration of Urban Real Estate Development and Operation*), company which set out property development as its business scope in its articles of association will be assessed by the competent administrative department of real estate development based on its asset size and business performance as a property developer in respect of their level of qualification as a property developer in respect of then. The Target Group was assessed as a property developer with level 4 qualification on this basis and has obtained 中國房地產開發企業資質證書 (the Qualification Certificate of the Real Estate Development Enterprises of the PRC*) (the "**Level 4 Qualification Certificate**") issued by 深圳市規劃和國土資源委員會 (the Urban Planning, Land & Resources Commission of Shenzhen Municipality*). Under 《房地產開發企業資質管理規定》(The Regulations on the Administration of Qualifications of the Property Development Companies*), property developers with level 4 qualification (e.g. the Target Group) are allowed to carry out property development project with a total gross floor area below 250,000 sq.m..

After Completion, the Company intends to hold the Guanlan Property and Guangming Property for investment purpose only, and confirms that the Target Group will not engage in property development business after Completion. The Company has disclosed in the Announcement that (i) it will amend the scope of business activities of the Target Group under its business licence to exclude property development and change to property investment after Completion; and (ii) it will give up the Level 4 Qualification Certificate on the basis that it was determined to, by any legally allowed means, to give up the Level 4 Qualification Certificate. Subsequent to the publication of the Announcement, the Company, through the PRC legal advisers' consultations with the relevant PRC government authorities including the Bureau, 深圳市規劃和國土資源委員會 (Urban Planning, Land & Resources Commission of Shenzhen Municipality*) and 深圳市房地產業協會 (Shenzhen Real Estate Association*), has ascertained that the scope of business activities of the PRC companies will no longer be set out in the combined business license in accordance to the latest regulations regarding business registration in the PRC, whereby the business licence of the PRC companies has been combined with 稅務登記證 (the tax registration certificate*) and 組織機構代碼證 (the organization code certificate*). As advised by the PRC legal advisers, the current applicable procedures for the Target Group to amend the scope of business to exclude property development and change to property investment after Completion are to amend the business scope set out in its articles of association and file the shareholders' resolution and the amended articles of association to the Bureau. The new business scope will be shown on the Bureau register. The PRC legal advisers advised that there are no legal procedures in practice that govern the voluntary cancellation of the Level 4 Qualification Certificate, but the articles of association can be amended to exclude property development from its business scope and filed to the Bureau for record, the Target Group will no longer be a qualified property developer and will not be allowed to carry out any property development business based on the Level 4 Qualification Certificate.

In August 2016, the Target Group and Zhangkengjing Company entered into a joint development agreement, pursuant to which the Target Group is responsible for the application for the change of the land use of the Zhangkengjing Land (which is provided by Zhangkengjing Company) from industrial use to domestic use and for the property development on the Zhangkengjing Land. The Zhangkengjing Company, in return, will be entitled to a total gross building area of 3,000 square metres on the Zhangkengjing Land. In February 2017, the Target Group has made the application and no approval has been granted as at the Latest Practicable Date. The Company confirms that in the event that the approval is granted, the Group will assess the risks and benefits as to the dealing with the Zhangkengjing Land, but in any event the Target Group will not carry out any development work of the Zhangkengjing Land. The Zhangkengjing Land is situated in Longhua New District, Shenzhen, the PRC with a total area of approximately 5,730 sq.m.. It is currently for industrial use.

Financial information of the Target Group

Realord Ventures and Manureen Ventures

As Realord Ventures and Manureen Ventures are investment holding companies and have not carried out any operations since incorporation save for the holding of their respective interests in Realord Investment (being a joint venture), no revenue or profit was generated during the Track Record Period. The net asset value of the Realord Ventures and Manureen Ventures was approximately HK$8,000 and HK$8,000 respectively as at 31 December 2017.

It is noted that a qualified opinion has been given by Deloitte Touche Tohmatsu, the reporting accountants, in the respective accountants' report to the Audited Accounts of Realord Ventures and Manureen Ventures as set out in the appendix II and III respectively since Realord Ventures and Manureen Ventures did not account for their respective interests in Realord Investment using the equity method in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" (the "**HKAS28**"), whereby Realord Ventures and Manureen Ventures are required to share the results of Realord Investment since the date of the incorporation of Realord Investment. Given all the historical financial information of Realord Investment during the Track Record Period has already been disclosed in full in Appendix IV to the circular, the Vendors consider that the application of equity accounting to their respective interests in Realord Investment is redundant for the purpose of preparation of historical financial information of Realord Ventures and Manureen Ventures and would incur expenses out of proportion to the value of the Shareholders. Based on the above and given also the complete consolidated financial position and financial performance of the Target Group have been reflected in the pro forma financial information with appropriate consolidation adjustments in Appendix V to the circular, the Company considered that no material financial impact to the Company notwithstanding the qualified opinions made in respect of the historical financial information of Realord Ventures and Manureen Ventures.

Realord Investment

Realord Investment generated its revenue during the Track Record Period from the Components Trading Business and property development business. The scale of the Component Trading Business during the Track Record Period was minimal, with merely a single transaction in each of FY2015 and FY2016 and none in FY2017. Revenue generated therefrom amounted to approximately HK$2.8 million, HK$274.5 million, and nil in FY2015, FY2016 and FY2017 respectively. Revenue generated from property development business of the Realord Investment mainly represented the revenue recognized from the delivery of the Government Residentials to the local government based on the stage of completion of the development of the Government Residentials under the development contract of the Realord Villas during the Track Record Period. For FY2015, FY2016 and FY2017, revenue generated from the property development business of the Realord Investment amounted to HK$440.0 million, HK$104.2 million and nil respectively. Other income generated during the Track Record was mainly bank interest income. Other than the profit before taxation of approximately HK$9.8 million for FY2015, which was mainly generated from the bank interests, the losses before and after taxation of the Target Group during the Track Record Period were mainly due to administrative expenses incurred and finance costs not eligible to be capitalized as development costs of the Properties. Details of the audited financial information of Realord Investment for the Track Record Period, together with the discussion and analysis related thereof, is set out in Appendix IV to this circular.

It is noted that the audited financial information of Realord Investment as at 31 December 2017 as set out in Appendix IV to this circular is different from those unaudited financial information as at 31 August 2017 as disclosed in the Announcement. The differences mainly included (i) the net decrease in stock of properties by approximately HK$782.1 million as at 31 December 2017 which was mainly due to the delivery of the Government Residentials (which were accounted for as stock of properties as at 31 August 2017) to the local government at cost in September 2017 and offset by the costs incurred for the Guanlan Property and Guangming Property between September and December 2017; (ii) the decrease in trade and other payables by approximately HK$859.2 million, which were mainly attributable to the recognition of advance receipts for the sale of Government Residentials as revenue and settlement of construction expenses; and (iii) decreases in (a) cash and cash equivalents by approximately HK$381.2 million; (b) bank borrowings by approximately HK$277.1 million; and (c) other liabilities by approximately HK$113.5 million, which were mainly attributable to the repayment of bank borrowings and loans to the related parties of Realord Investment during the period from 1 September 2017 to 31 December 2017. As a result, the consolidated net assets value of Realord Investment increased by approximately HK$10.5 million from approximately HK$12.4 million as at 31 August 2017 to approximately HK$22.9 million as at 31 December 2017.

As the Government Residentials developed by Realord Investment have been delivered in September 2017 to the local government at cost, Realord Investment recognised the entire revenue and costs in relation to Government Residentials in September 2017 upon delivery of their titles to the local government. The costs incurred in developing the Government Residentials and advance receipts for the sale of Government Residentials prior to the delivery were included as property under development and trade and other payables respectively in the unaudited financial information of Realord Investment as disclosed in the Announcement, which amounted to approximately RMB796.2 million and RMB619.0 million respectively as at 31 August 2017. After considering Hong Kong Accounting Standard 11 "Construction Contracts", which requires revenue and costs to be recognised with reference to the stage of completion of the contract activity, the relevant revenue and costs of the Government Residentials were recognised in the Audited Accounts with reference to the stage of completion and throughout 2015 and 2016, i.e. the construction periods, even though the Government Residentials were eventually delivered in 2017. Based on the Audited Accounts set out in Appendix IV of this circular, the revenue and segment profit attributable to the Government Residentials amounted to approximately HK$440.0 million and HK$7.7 million respectively for FY2015 and approximately HK$104.2 million and HK$1.8 million respectively for FY2016. The deposits received in advance for sales of Government Residentials have also been adjusted from trade and other payables to revenue, while construction costs attributable to the Government Residentials were either recognised as costs of sales or reclassified to amount due from a customer for contract work, instead of previously included under property under development.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Realord Ventures and Manureen Ventures will become wholly-owned subsidiaries of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

At Completion, the Acquisition will be accounted for as the acquisition of assets for the Group. Given the Properties at existing state, together with the managerial staff who previously oversaw the property development business but will be retained for overseeing the leasing of the Properties, will not be sufficient to operate the property investment business of Realord Investment on their own upon Completion and depending on its business plan, additional inputs, such as funding, and marketing and administrative staffs, would be required for the Target Group to operate such business after Completion. Accordingly, the Acquisition does not qualify for accounting as business combination in accordance to Hong Kong Financial Reporting Standard 3 "Business Combinations".

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place as set out in Appendix V to this circular, had the Acquisition been completed on 30 June 2017, the total assets of the Group would have been increased by approximately HK$7,561.5 million from approximately HK$2,023.8 million as at 30 June 2017 to approximately HK$9,585.3 million and the total liabilities of the Group would have been increased by approximately HK$5,460.6 million from approximately HK$996.5 million as at 30 June 2017 to approximately HK$6,457.1 million.

Earnings

The Group recorded a net profit attributable to the owners of the Company of approximately HK$80.1 million for the year ended 31 December 2016. Based on the unaudited pro forma financial information of the Group in Appendix V to this circular, the unaudited pro forma net profit of the Group for the year ended 31 December 2016 would have been increased by approximately HK$289.2 million from HK$80.1 million to approximately HK$369.3 million assuming Completion had taken place on 1 January 2016. The decline in the unaudited pro forma net profit was attributable to (i) the interest expenses arising from the Promissory Notes and borrowings of the Group to be obtained to finance the Acquisition; and (ii) estimated transaction costs on the Acquisition which were non-recurring in nature. For the avoidance of doubt, the unaudited pro forma financial information has not taken into account the effect on earnings that are expected to arise from the Properties, such as rental income and fair value change of the Properties, which would depend on the property market conditions.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and immediately after the allotment and issuance of 280,998,482 Consideration Shares in accordance to the terms of the Acquisition Agreement (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date):

	As at the Latest Practicable Date		**Upon Completion and immediately after the allotment and issuance of 280,998,482 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)**	
	Number of Shares	*%*	*Number of Shares*	*%*
The Vendors *(note)*	790,001,518	68.65	1,071,000,000	74.80
Public Shareholders	360,749,880	31.35	360,749,880	25.20
Total	1,150,751,398	100.0	1,431,749,880	100.0

Note: As at the Latest Practicable Date, 790,001,518 Shares are held by Manureen Holdings, which is in turn owned as to 70% and 30% by Dr. Lin and Madam Su respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) provision of financial printing, digital printing and other related services (i.e. Commercial Printing Business); (ii) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags (i.e. Hangtag Business); (iii) distribution and sales of motor vehicle parts (i.e. Motor Vehicles Parts Business); (iv) provision of securities brokerage services and margin financing (i.e. Financial Services Business); (v) trading of electronic products, computer equipment and consumer products (i.e. Trading Business); (vi) property investment; and (vii) dismantling and trading of scrap material and acting as an agent by sourcing scrap material (i.e. Environmental Protection Business).

As detailed in the section headed "Information on the Target Group", the principal assets of the Target Group are the Guanlan Property, the Guangming Property, the Guangming Land and the Staff Housings. The Target Group will only act as a holding company of the Properties after Completion and the existing six staff of the Target Group, which previously oversaw the property development of the Guanlan Property and the Guangming Property, will be responsible for overseeing the leasing of these properties after Completion. As the appraised value of both Guangming Land and the Staff Housings as at 30 September 2017 is zero, the substance of the Acquisition and thus the core basis of the Total Consideration are the aggregate appraised value of the Guanlan Property and the Guangming Property as at 30 september 2017. The Company proposed to acquire the equity interest in the Target Group rather than the Properties because it considers that it would be more expedient to acquire the former given transfer of equity interest in BVI companies only involves execution of instrument(s) of transfer and does not require specific approval by the relevant BVI authorities whilst direct acquisition of the Properties would involve assignment of more than 360 property ownership certificates in respect of the units of the Properties, each of which requires approval by the relevant PRC authorities.

After Completion, the Company intends to hold the Guanlan Property and the Guangming Property for rental purpose, and the Staff Housings will be kept as it is for staff quarter purpose. The Guangming Land, which is currently a bare land, is intended to be held as investment assets of the Group, no development plan thereof as at Latest Practicable Date. As at 30 June 2017, the Group's portfolio of investment properties included six residential apartments and two car park spaces in Hong Kong, and one commercial building and two industrial properties in Shenzhen. The aggregate value of this portfolio amounted to approximately HK$1,273.4 million as at 30 June 2017. The Board considers that the acquisition of the Properties with an aggregate appraised value of approximately HK$7,684 million based on the Valuation Report as at 31 December 2017 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.

In view of the above, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Set out below are the latest developments and prospects of the principal businesses of the Group:

Property investment business

As mentioned in the section headed "Reasons for and the benefit of the Acquisition" above, as at 30 June 2017, the Group's property portfolio included six residential apartments and two car park spaces in Hong Kong, and one commercial building and two industrial properties in Shenzhen, with an aggregate value of approximately HK$1,273.4 million. The Directors consider that after Completion, the property portfolio of the Group would be enhanced by the Guanlan Property and the Guangming Property, which are intended to be held for rental purpose after Completion. The Staff Housings will be held as staff quarters of the Target Group and the Guangming Land, which is currently a bare land, will be held as investment assets of the Group, after Completion.

Commercial Printing Business

In view of (i) the fierce competition in the commercial printing industry in 2017 as evidenced by the price wars with competitors during the year and the number of commercial printing companies newly set up in 2017; (ii) the uncertainties for the success rate of the existing IPO engagements; and (iii) that the capital investment for the business development of the IPO services being not proportional to the benefits generated to the Group during the year, the Board had accepted the management buyout in respect of the Commercial Printing Business (the "**Proposed Disposal**") and had entered into an agreement to dispose of the subsidiary engaged in the Commercial Printing Business in November 2017. Later in December 2017, amendments to the listing requirements with respect to listing requirements for the new listing applicants of the Main Board and the Growth Enterprise Market were announced by the Stock Exchange, and the Board considers that such amendments have served to clarify the expected standards of the Stock Exchange in respect of the financial guarantor of the new listing applicants, and thus settled the worries of the Company in respect of the market conjectures about the Stock Exchange to implement a more stringent regime. Accordingly, the Board resolved to continue the Commercial Printing Business while keep reviewing and assessing the risks, benefits and prospects thereof along the operations. The Board had entered into a termination agreement in this regard on 11 January 2018. Details of the Proposed Disposal and its termination are set out in the announcements dated 13 November 2017 and 11 January 2018.

Environmental Protection Business

The Group has engaged in the Environmental Protection Business since February 2017. It is the Group's plan to develop a processing plant for recycling and production of copper and aluminum ingots (the "**Processing Plant**") in 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*) located in Wuzhou, Guangxi Province, the PRC, with target annual production capacity of 100,000 tonnes. The Group will start the construction of the Processing Plant once the acquisition of the land for such purpose is completed. It is expected that the land acquisition will be completed in mid-2018 and the construction will commence in the third quarter of 2018. The Board believes that the Processing Plant will become a driver for a long-term growth of the Group's business.

Financial Services Business

The Group has also diversified into the Financial Services Business including provision of securities brokerage and margin financing services in Hong Kong and provision of finance lease and operating lease services in the PRC. In May 2016, the Group has entered into a promoter's agreement with five independent third parties with a view to establishing a securities company (the "**Securities Company**") with proposed business scope of provision of securities brokerage services, securities underwriting and sponsor services, asset management, proprietary trading business, advising on securities investments, securities financing services and corporate finance advisory services. 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 ("**CSRC**"). The application for the approval was filed to the CSRC in July 2016 and is under review as at the Latest Practicable Date. In respect of the finance lease and operating lease services in the PRC, the Group has commenced minimal scale of operation in 2017 and it is expected to maintain a similar scale of operation in 2018 subject to the market situation.

Motor Vehicle Parts Business

The Group has commenced the Motor Vehicle Parts Business in Hong Kong since October 2014 and has set up a retail store in Hong Kong in May 2017. The Group is now considering to set up a retail store in Guangzhou, the PRC with a view to enhancing the sales and distribution network of the Motor Vehicle Parts Business.

Hangtag Business

Due to the continuously low economic growth, the operating environment of the Hangtag Business will be more challenging and the Board foresees that customers' demand of hangtags, labels, shirt paper boards and plastic bags would remain sluggish.

Others

In addition to the principal activities as mentioned above, the Group has also initiated works to enable the redevelopment of the Qiankeng Property and the Zhangkenjing Property for a year. The Zhangkenjing Property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing Property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities. The Qiankeng Property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng Property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2018, subject to government schedules, and thereafter the redevelopment works will commence.

GENERAL

As the percentage ratios in respect of the Acquisition under Chapter 14 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. In addition, given the Vendors are Directors and Manureen Holdings is the controlling Shareholder and thus connected persons of the Company, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to, among others, the approval of the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Veda Capital, the independent financial adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held at 11:00 a.m. on Friday, 13 April 2018 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares under specific mandate.

The Vendors, Manureen Holdings and their respective associates who are Shareholders will be required to abstain from voting on the resolution approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM. As at the Latest Practicable Date, Manureen Holdings holds 790,001,518 Shares, representing approximately 68.65% of the issued share capital of the Company. Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquires, no other Shareholder has a material interest in the Acquisition Agreement and the transactions contemplated thereunder and is required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

Each of Dr. Lin, Madam Su and Mr. Lin Xiaodong (brother of Dr. Lin) has abstained from voting at the relevant board resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be) or the poll concerned. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) or the poll concerned should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 April 2018 to Friday, 13 April 2018 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of shares of the Company will be registered during this period. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 April 2018.

RECOMMENDATIONS

The Directors (including members of the Independent Board Committee whose views have been set out in the letter from Independent Board Committee) consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 28 to 29 of this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder and the letter from Veda Capital as set out on pages 30 to 63 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in the same regard.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Realord Group Holdings Limited
Lin Xiaohui
Chairman

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1196)

23 March 2018

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN REALORD VENTURES LIMITED AND MANUREEN VENTURES LIMITED

INTRODUCTION

We refer to the circular of the Company dated 23 March 2018 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to give you recommendation on the terms of the Acquisition Agreement and the transactions contemplated thereunder. Veda Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving their advice, are set out on pages 30 to 63 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

RECOMMENDATION

Having considered the terms of the Acquisition Agreement and the advice of Veda Capital, we consider that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Yu Leung Fai **Mr. Fang Jixin** **Dr. Li Jue**

Independent Non-Executive Directors

The following is the full text of the letter from Veda Capital setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Room 1106, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

23 March 2018

To: Independent Board Committee and the Independent Shareholders

Dear Sir/Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN REALORD VENTURES LIMITED AND MANUREEN VENTURES LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder (the "**Transaction**"), details of which are set out in the circular to the Shareholders dated 23 March 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 18 January 2018 whereby the Board announced that on 18 January 2018, the Company and the Vendors entered into the Acquisition Agreement, pursuant to which (i) the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares for the Share Consideration of approximately RMB3,948 million (equivalent to approximately HK$4,741 million) (subject to adjustment); and (ii) the Company has also conditionally agreed to provide the Shareholder's Loan to the Target Group for the settlement of the Target's Outstanding Debts as at the date of Completion on a dollar for dollar basis. As at 31 December 2017, the Target's Outstanding Debts amounted to approximately RMB2,378 million (equivalent to approximately HK$2,855 million).

The Total Consideration comprising the Share Consideration and the Shareholder's Loan of approximately RMB6,326 million (equivalent to approximately HK$7,596 million) (subject to adjustment) will be satisfied (i) by way of cash in an amount between RMB3,000 million (equivalent to approximately HK$3,602 million) and RMB3,600 million (equivalent to approximately HK$4,323 million) (i.e. Cash Consideration); (ii) as to approximately RMB1,109 million (equivalent to approximately HK$1,331 million) by way of allotment and issue of 280,998,482 Consideration Shares at the Issue Price of HK$4.738 per Consideration Share; and (iii) by way of the issue of the Promissory

Notes in two tranches with an aggregate principal amount ranging from approximately RMB1,617 million (equivalent to approximately HK$1,942 million) to approximately RMB2,217 million (equivalent to approximately HK$2,662 million) (subject to the final amount of the Cash Consideration).

As set out in the Board Letter, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. In addition, given the Vendors are Directors and Manureen Holdings (being the noteholder of the Promissory Notes nominated by the Vendors) is a controlling Shareholder and thus connected persons of the Company, the Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules. Accordingly, the Acquisition Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the SGM. The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition, and we have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment has been approved by the Independent Board Committee. The SGM will also be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of three executive Directors, namely Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong and three independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue, has been established to give recommendation to the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, or other services provided to, the Company or any other parties that could reasonably be regarded as relevant to our independence in the past two years. Given our independent role and normal professional fees received from the Company under the past engagement, we consider it would not affect our independence to form our opinion in this letter.

Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser in relation to the Transaction, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Company and the Directors, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM of the Company.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Directors, nor have conducted any independent investigation into the business, financial conditions and affairs of the Company or its future prospects. The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, we have taken into consideration the following principal factors and reasons:

Background information

Information of the Group

As set out in the Board Letter, the Group is principally engaged in (i) provision of financial printing, digital printing and other related services (i.e. Commercial Printing Business); (ii) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags (i.e. Hangtag Business); (iii) distribution and sales of motor vehicle parts (i.e. Motor Vehicles Parts Business); (iv) provision of securities brokerage services and margin financing (i.e. Financial Services Business); (v) trading of electronic products, computer equipment and consumer products (i.e. Trading Business); (vi) property investment ("**Property Investment Business**"); and (vii) dismantling and trading of scrap material and acting as an agent by sourcing scrap material (i.e. Environmental Protection Business).

Historical financial performance of the Group

We have set out the key financial information of the Group for the two financial years ended 31 December 2015 and 2016 and the six months period ended 30 June 2017, respectively, as extracted from the annual report of the Company for the year ended 31 December 2016 ("**AR 2016**") and the interim report of the Company for the six months ended 30 June 2017 ("**IR 2017**").

Consolidated statement of profit or loss

	For the six months ended 30 June	**For the year ended 31 December**	
	2017	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	216,233	209,784	207,732
Profit attributable to owners of the Company	84,273	80,097	32,427

Consolidated statement of financial position

	For the six months ended 30 June	For the year ended 31 December	
	2017	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	2,023,813	1,607,846	1,137,037
Total liabilities	996,541	709,749	282,625
Net assets	1,027,272	898,097	854,412

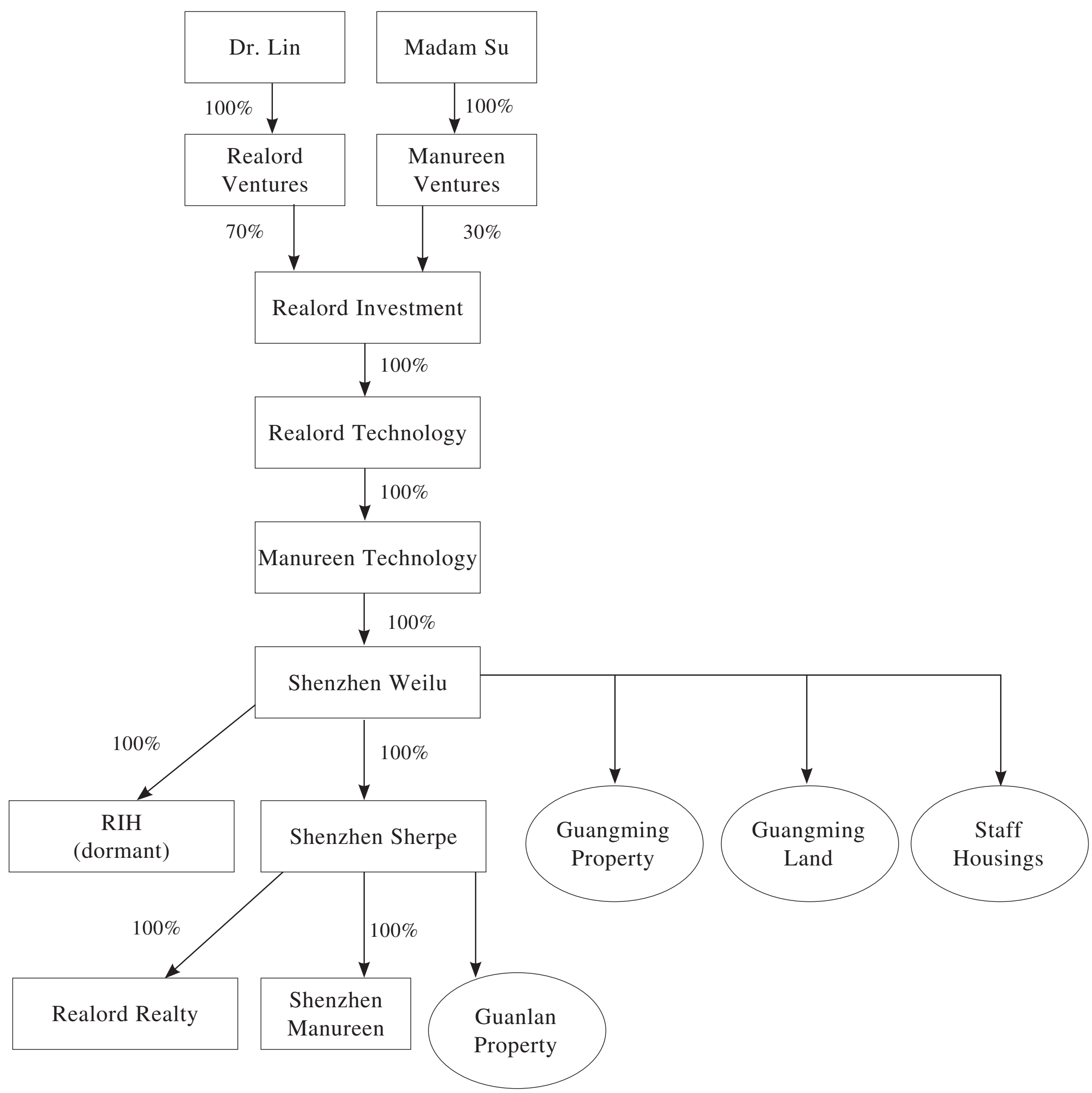
As illustrated above, the Group's revenue increased from approximately HK$207.7 million for the year ended 31 December 2015 to approximately HK$209.8 million for the year ended 31 December 2016, representing a year-on-year increase of approximately 1%. We noted that such increase was contributed from the Financial Services Business and the Property Investment Business, which both segments recorded remarkable increase of approximately 116.1% and 198.3% to HK$10.9 million and HK$17.0 million respectively as compared to the year ended 31 December 2015. As disclosed in the AR2016, the remarkable increase for the Property Investment Business was due to the increase in rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone, which contributed additional revenue to the business during the FY2016. However, due to the deteriorating operating environment of the Hangtag Business and thin margin of the Trading Business, the revenue of the both segments decreased significantly of approximately 26.4% and 100% to approximately HK$8.5 million and nil respectively as compared to the year ended 31 December 2015. The increase in revenue arising from the Financial Services Business and the Property Investment Business was mostly offset by the decrease in revenue arising from the Hangtag Business and the Trading Business.

The profit for the year attributable to owners of the Company from continuing operations increased from approximately HK$32.4 million to approximately HK$80.1 million. The increase in profit attributable to owners of the Company was mainly due to the increase in revenue arising from the Property Investment Business of approximately HK$17.0 million and the fair value gains on investment properties of approximately HK$270.5 million (2015: HK$90.1 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$125.1 million (2015: HK$14.5 million), the revaluation deficit on property, plant and equipment of approximately HK$17.3 million (2015: HK$2.1 million) as well as the increase in finance cost of approximately HK$18.2 million. The increase in finance cost was mainly due to the increase in interest-bearing borrowings during the year.

The Group's total assets and total liabilities as at 30 June 2017 amounted to approximately HK$2,023.8 million and HK$996.5 million, respectively. This represented an increase for the six months ended 30 June 2017 in total assets of approximately HK$416 million, primarily attributable to the increase of (i) property, plant and equipment; (ii) investment properties; (iii) goodwill; (iv) inventories; (v) receivables arising from securities broking; and (vi) prepayments, deposits and other receivables. The increase in total liabilities of approximately HK$286.8 million was predominately by the increase of the interest-bearing bank borrowings, other payables and accruals and the loans from ultimate holding company.

Information of the Target Group

Set out below is the group structure of the Target Group as at the Latest Practicable Date:



Business model of the Target Group

The major operating subsidiaries of the Target Group were Shenzhen Weilu and Shenzhen Sherpe, through which the Target Group was previously engaged in trading of electronic components (i.e. the Components Trading Business) and property development business. However, the scale of the Trading Business was minimal in FY2015 and FY2016 (merely one single transaction in each year) and no transaction has been carried out in 2017. The number of staff responsible for the Trading Business has also reduced to zero since 2016. Further, after completion of the construction and development of the Guanlan Property and the Guangming Property, the Target Group is no longer engaged in property development business. The Target Group currently only holds (i) the Guanlan Property; (ii) the Guangming Property; (iii) the Guangming Land; and (iv) the Staff Housings. The existing six staff of the Target Group, which previously oversaw the property development of the Guanlan Property and the Guangming Property, will be responsible for overseeing the leasing of these properties after Completion.

The substance of the Acquisition was Guanlan Property and the Guangming Property, given both the Staff Housings and the Guangming Land only have nominal value according to the Properties Valuation. Set out below are the details of the Properties and the existing qualification and agreement of the Target Group:

The Guanlan Property

The Guanlan Property comprises a commercial/apartment building, retail shops and all car parking spaces with a total gross floor area (excluding all car parking spaces) of approximately 51,039 sq.m. and is situated within the Realord Villas, which is a mixed residential and commercial development located on the southern side of Huangan South Road within the Guanlan High-Tech Industrial Park of Guanlan. The Realord Villas was developed by Shenzhen Sherpe. As at the Latest Practicable Date, the Guanlan Property remains vacant while the six blocks of high-rise residential building of the Realord Villas (i.e. the Government Residentials) have been delivered to the local government at cost (i.e. approximately RMB796.2 million, excluding tax) in September 2017 according to the terms agreed between the Target Group and the government for the approval of the development of Realord Villas at the outset. Accordingly, the Total Consideration has not taken into account the Government Residentials. As at 31 August 2017, the carrying value of the Guanlan Property amounted to approximately HK$1,629.0 million. According to the Valuation Report, the appraised value of the Guanlan Property as at 31 December 2017 amounted to approximately RMB3,480 million (equivalent to approximately HK$4,178 million), which was RMB180 million higher than the valuation as at 30 September 2017. The Total Consideration was determined based on the Properties Valuation as at 30 September 2017.

The Company intends to hold the Guanlan Property for rental purpose after Completion. It is expected that the lease of the Guanlan Property will commence in second quarter of 2018.

The Guangming Property

The Guangming Property consists two blocks of office building with 26 storeys and 4 storeys over a basement car park respectively, with a total gross floor area (excluding basement carpark) of approximately 53,973 sq.m. The Guangming Property was developed by the Target Group and its construction work has been completed in 2017. It is ready for rental as at the Latest Practicable Date. According to the Valuation Report, the appraised value of the Guangming Property as at 31 December 2017 amounted to approximately RMB2,920 million (equivalent to approximately HK$3,506 million), which was same as the valuation as at 30 September 2017.

The Company intends to hold the Guangming Property for rental purpose after Completion. It is expected that the lease will commence in second quarter of 2018.

The Guangming Land

The Guangming Land is a bare land with a site area of approximately 12,599 sq.m. located at the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park of Guangming New District. It is for industrial use and is currently vacant. According to the Valuation Report, the appraised value of the Guangming Land as at 31 December 2017 was nominal only.

As the Target Group will not engage in property development business after Completion, the Guangming Land is intended to be held as investment assets of the Group after Completion.

The Staff Housings

The Staff Housings comprise four social housing units of Fu Bao Gui Hua Yuan, which is a property estate located on the southern side of Gui Hua Road within the Futian Free Trade Zone of Shenzhen. Its total gross floor area is approximately 352 sq.m.. It was acquired by the Target Group from the government authorities and it is currently occupied as staff quarters of the Target Group. As at the Latest Practicable Date, the certificate of real estate ownership in respect of the Staff Housings has not been obtained. In the absence of which, the PRC legal adviser advised that the Target Group is not allowed to change the nature of the Staff Housings from affordable housing (經濟適用房) to commodity housing (商品房), and thus is not allowed to transfer, lease (except for leasing to the staff), or pledge the title of the Staff Housings. As the transfer of the Staff Housings is subject to the approval by the relevant government authority (i.e. not freely-transferrable), the appraised value of the Staff Housings as at 31 December 2017 is zero according to the Valuation Report. In the event that it becomes freely transferrable, its capital value as at 31 December 2017 would be in the region of RMB22,700,000 for indication purpose only. For the avoidance of doubt, the Company has only taken into account the appraised value of the Staff Housings at its non-freely-transferrable status (i.e. zero) when determining the Total Consideration.

The Company intends to maintain the existing use of the Staff Housings after Completion. Having considered that the aforesaid usage of the Staff Housings upon Completion and with the PRC legal adviser's advice that ownership of the Staff Housings is vested in the Target Group, the Directors consider that the absence of the abovementioned certificate in respect of the Staff Housings will not have adverse financial impact on the Group. Yet, the Group will not be able to realise the Staff Housings for capital gain after Completion unless such certificate is obtained.

Existing qualification and agreement

As advised by the PRC legal advisers of the Company, under 《城市房地產開發經營管理條例》 (The Laws on the Administration of Urban Real Estate Development and Operation*), company which set out property development as its business scope in its articles of association will be assessed by the competent administrative department of real estate development based on its asset size and business performance as a property developer in respect of their level of qualification as a property developer in respect of then. The Target Group was assessed as a property developer with level 4 qualification on this basis and has obtained 中國房地產開發企業資質證書 (the Qualification Certificate of the Real Estate Development Enterprises of the PRC*) (the "**Level 4 Qualification Certificate**") issued by 深圳市規劃和國土資源委員會 (the Urban Planning, Land & Resources Commission of Shenzhen Municipality*). Under 《房地產開發企業資質管理規定》(The Regulations on the Administration of Qualifications of the Property Development Companies*), property developers with level 4 qualification (e.g. the Target Group) are allowed to carry out property development project with a total gross floor area below 250,000 sq.m..

After Completion, the Company intends to hold the Guanlan Property and Guangming Property for investment purpose only, and confirms that the Target Group will not engage in property development business after Completion. The Company has disclosed in the Announcement that (i) it will amend the scope of business activities of the Target Group under its business license to exclude property development and change to property investment after Completion; and (ii) it will give up the Level 4 Qualification Certificate on the basis that it was determined to, by any legally allowed means, to give up the Level 4 Qualification Certificate. Subsequent to the publication of the Announcement, the Company, through the PRC legal advisers' consultations with the relevant PRC government authorities including the Bureau, 深圳市規劃和國土資源委員會 (Urban Planning, Land & Resources Commission of Shenzhen Municipality*) and 深圳市房地產業協會 (Shenzhen Real Estate Association*), has ascertained that the scope of business activities of the PRC companies will no longer be set out in the combined business license in accordance to the latest regulations regarding business registration in the PRC, whereby the business license of the PRC companies has been combined with 稅務登記證 (the tax registration certificate*) and 組織機構代碼證 (the organization code certificate*). As advised by the PRC legal advisers, the current applicable procedures for the Target Group to amend the scope of business to exclude property development and change to property investment after Completion are to amend the business scope set out in its articles of association and file the shareholders' resolution and the amended articles of association to the Bureau. The new business scope will be shown on the Bureau register. The PRC legal advisers advised that there are no legal procedures in practice that govern the voluntary cancellation of the Level 4 Qualification Certificate, but the articles of association can be amended to exclude property development from its business scope and filed to the Bureau for record, the Target Group will no longer be a qualified property developer and will not be allowed to carry out any property development business based on the Level 4 Qualification Certificate.

In August 2016, the Target Group and Zhangkengjing Company entered into a joint development agreement, pursuant to which the Target Group is responsible for the application for the change of the land use of the Zhangkengjing Land (which is provided by Zhangkengjing Company) from industrial use to domestic use and for the property development on the Zhangkengjing Land. The Zhangkengjing Company, in return, will be entitled to a total gross building area of 3,000 square metres on the Zhangkengjing Land. In February 2017, the Target Group has made the application and no approval has been granted as at the Latest Practicable Date. The Company confirms that in the event that the approval is granted, the Group will assess the risks and benefits as to the dealing with the Zhangkengjing Land, but in any event the Target Group will not carry out any development work of the Zhangkengjing Land. The Zhangkengjing Land is situated in Longhua New District, Shenzhen, the PRC with a total area of approximately 5,730 sq.m.. It is currently for industrial use.

Financial information of the Target Group

Realord Ventures and Manureen Ventures

As Realord Ventures and Manureen Ventures are investment holding companies and have not carried out any operations since incorporation save for the holding of their respective interests in Realord Investment, no revenue or profit was generated during the Track Record Period. The net asset value of the Realord Ventures and Manureen Ventures was approximately HK$8,000 and HK$8,000 respectively as at 31 December 2017.

It is noted that a qualified opinion has been given by Deloitte Touche Tohmatsu, the reporting accountants, in the respective accountants' report to the Audited Accounts of Realord Ventures and Manureen Ventures as set out in the appendix II and III respectively since Realord Ventures and Manureen Ventures did not account for their respective interests in Realord Investment using the equity method in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" (the "**HKAS28**"), whereby Realord Ventures and Manureen Ventures are required to share the results of Realord Investment since the date of the incorporation of Realord Investment. Given all the historical financial information of Realord Investment during the Track Record Period has already been disclosed in full in Appendix IV to the Circular, the Vendors consider that the application of equity accounting to their respective interests in Realord Investment is redundant for the purpose of preparation of historical financial information of Realord Ventures and Manureen Ventures and would incur expenses out of proportion to the value of the Shareholders. Based on the above and given also the complete consolidated financial position and financial performance of the Target Group have been reflected in the pro forma financial information with appropriate consolidation adjustments in Appendix V to the Circular, the Company considered that no material financial impact to the Company notwithstanding the qualified opinions made in respect of the historical financial information of Realord Ventures and Manureen Ventures.

Realord Investment

Realord Investment generated its revenue during the Track Record Period from the Components Trading Business and property development business. The scale of the Components Trading Business during the Track Record Period was minimal, with merely a single transaction in each of FY2015 and FY2016 and none in FY2017. Revenue generated therefrom amounted to approximately HK$2.8 million, HK$274.5 million, and nil in FY2015, FY2016 and FY2017 respectively. Revenue generated from property development business of the Realord Investment mainly represented the revenue recognized from the delivery of the Government Residentials to the local government based on the stage of completion of the development of the Government Residentials under the development contract of the Realord Villas during the Track Record Period. For FY2015, FY2016 and FY2017, revenue generated from the property development business of the Realord Investment amounted to HK$440.0 million, HK$104.2 million and nil respectively. Other income generated during the Track Record was mainly bank interest income. Other than the profit before taxation of approximately HK$9.8 million for FY2015, which was mainly generated from the bank interests, the losses before and after taxation of the Target Group during the Track

Record Period were mainly due to administrative expenses incurred and finance costs not eligible to be capitalized as development costs of the Properties. Details of the audited financial information of Realord Investment for the Track Record Period, together with the discussion and analysis related thereof, is set out in Appendix IV to the Circular.

It is noted that the audited financial information of Realord Investment as at 31 December 2017 as set out in Appendix IV to the Circular is different from those unaudited financial information as at 31 August 2017 as disclosed in the Announcement. The differences mainly included (i) the net decrease in stock of properties by approximately HK$782.1 million as at 31 December 2017 which was mainly due to the delivery of the Government Residentials (which were accounted for as stock of properties as at 31 August 2017) to the local government at cost in September 2017 and offset by the costs incurred for the Guanlan Property and Guangming Property between September and December 2017; (ii) the decrease in trade and other payables by approximately HK$859.2 million, which were mainly attributable to the recognition of advance receipts for the sale of Government Residentials as revenue and settlement of construction expenses; and (iii) decreases in (a) cash and cash equivalents by approximately HK$381.2 million; (b) bank borrowings by approximately HK$277.1 million; and (c) decrease in other liabilities by approximately HK$113.5 million, which were mainly attributable to the repayment of bank borrowings and loans to the related parties of Realord Investment during the period from 1 September 2017 to 31 December 2017. As a result, the consolidated net assets value of Realord Investment increased by approximately HK$10.5 million from approximately HK$12.4 million as at 31 August 2017 to approximately HK$22.9 million as at 31 December 2017.

As the Government Residentials developed by the Realord Investment have been delivered in September 2017 to the local government at cost, Realord Investment recognized the entire revenue and costs in relation to Government Residentials in September 2017 upon delivery of their titles to the local government. The costs incurred in developing the Government Residentials and advance receipts for the sale of Government Residentials prior to the delivery were included as property under development and trade and other payables respectively in the unaudited financial information of Realord Investment as disclosed in the Announcement, which amounted to approximately RMB796.2 million and RMB619.0 million respectively as at 31 August 2017. After considering Hong Kong Accounting Standard 11 "Construction Contracts", which requires revenue and costs to be recognized with reference to the stage of completion of the contract activity, the relevant revenue and costs of the Government Residentials were recognized in the Audited Accounts with reference to the stage of completion and throughout 2015 and 2016, i.e. the construction periods, even though the Government Residentials were eventually delivered in 2017. Based on the Audited Accounts set out in Appendix IV of the Circular, the revenue and segment profit attributable to the Government Residentials amounted to approximately HK$440.0 million and HK$7.7 million respectively for FY2015 and approximately HK$104.2 million and HK$1.8 million respectively for FY2016. The deposits received in advance for sales of Government Residentials have also been adjusted from trade and other payables to revenue while construction costs attributable to the Government Residentials were either recognized as costs of sales or reclassified to amount due from a customer for contract work, instead of previously included under property under development.

Reasons for and benefits of the Acquisition

The reasons for and benefits of the Transaction, as advised by the Directors, are mainly as follows:

The Group is principally engaged in (i) provision of financial printing, digital printing and other related services (i.e. Commercial Printing Business); (ii) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags (i.e. Hangtag Business); (iii) distribution and sales of motor vehicle parts (i.e. Motor Vehicles Parts Business); (iv) provision of securities brokerage services and margin financing (i.e. Financial Services Business); (v) trading of electronic products, computer equipment and consumer products (i.e. Trading Business); (vi) Property Investment Business; and (vii) dismantling and trading of scrap material and acting as an agent by sourcing scrap material (i.e. Environmental Protection Business).

As noted from the Board Letter, the principal assets of the Target Group are the Guanlan Property, the Guangming Property, the Guangming Land and the Staff Housings. The Target Group will only act as a holding company of the Properties after Completion and the existing six staff of the Target Group, which previously oversaw the property development of the Guanlan Property and the Guangming Property, will be responsible for overseeing the leasing of these properties after Completion. As the appraised value of both Guangming Land and the Staff Housings as at 30 September 2017 is nominal, the substance of the Acquisition and thus the core basis of the Total Consideration are the aggregate appraised value of the Guanlan Property and the Guangming Property as at 30 September 2017. The Company proposed to acquire the equity interest in the Target Group rather than the Properties because it considers that it would be more expedient to acquire the former given transfer of equity interest in BVI companies only involves execution of instrument(s) of transfer and does not require specific approval by the relevant BVI authorities whilst direct acquisition of the Properties would involve assignment of more than 360 property ownership certificates in respect of the units of the Properties, each of which requires approval by the relevant PRC authorities.

We are given to understand from the management of the Company that it is the intention of the Company to strengthen the Property Investment Segment by the Acquisition. We consider that the Acquisition, which is in substance acquiring the Properties instead of the business of the Target Group which originally involved the property development business, is in line with the existing principal business of the Company.

Besides, we have obtained and noted that there are over 360 property ownership certificates in respect of the units of the Properties. Due to the numerous property ownership certificates and sophisticated PRC legal procedures associated with the transfer of the Properties' ownerships, it would be time consuming and costly to transfer the ownership of the Properties from the Target Group to the Company. Hence, it would be more efficient to acquire the equity interest of the Target Group instead of acquiring the Properties directly.

After Completion, the Company intends to hold the Guanlan Property and the Guangming Property for rental purpose, and the Staff Housings will be kept as it is for staff quarter purpose. The Guangming Land, which is currently a bare land, is intended to be held as investment assets of the Group, no development plan thereof as at Latest Practicable Date. As at 30 June 2017, the Group's portfolio of investment properties included six residential apartments and two car park spaces in Hong Kong, and one commercial building and two industrial properties in Shenzhen. The aggregate value of this portfolio amounted to approximately HK$1,273.4 million as at 30 June 2017. The Board considers that the acquisition of the Properties with an aggregate appraised value of approximately HK$7,684 million based on the Valuation Report as at 31 December 2017 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.

In view of the above, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole.

Shenzhen real estate market prospective

As disclosed in the announcement of the Company dated 13 November 2017, given the intense competition and limited prospects of the commercial printing business, the Board considers that the Group can focus its resources and management efforts on capturing business opportunities in other business segments with better prospects. As stated in the Board Letter, the Board considers that the Acquisition would enhance the Group's portfolio of investment properties and strengthen the Property Investment Business by creating additional stream of stable rental income and potential capital gain for the Group.

We have conducted researches on the real estate market in Shenzhen. According to an article from the State Council of the People's Republic of China* (中華人民共和國國務院) issued on 5 December 2017, tilted "增加租賃住房供應－緩解住房供需矛盾－集體建設用地入市為"住有所居"探路", the average rent for residential apartments during the period between January 2017 to August 2017 in Shenzhen was RMB 5,005 which represents a 67.5% increase as compared to the average rent in 2010. We are expecting the upward trend will continuous since the economy of Shenzhen and the migration of skill labor are still booming. We have further noted from the National Bureau of Statistics of China (中華人民共和國國家統計局), the total number of residents in Shenzhen is experiencing an upward trend, from approximately 2.7 million residents in 2011 to approximately 3.5 million residents in 2015, representing approximately 29.6% increase. Furthermore, the annual income per person increased from RMB 55,142 to RMB 81,034, representing an approximately 47% increase. The increase for both number of residents and annual income per person is predominately benefited from the government's policies, as according to the article issue by the State Council of the People's Republic of China* (中華人民共和國國務院) on 23 April 2017, titled ""無中生有"的科技何以風起雲湧－探尋深圳"引領式創新"發展秘訣", stated that Shenzhen has striven to implement innovation as the dominant strategy for its urban development, the number of technological enterprises has increase by 6,000 within the past 5 year, over 30 thousands technology enterprises are now situated in Shenzhen and through policies such as "孔雀計劃" introducing talents from overseas, the number of residents and annual income per person have increased rapidly. As a first-tier forefront city such as Shenzhen with finance and high-tech industry as the major parts of its economic structure, Shenzhen will continue to attract more quality, highly educated and highly-skilled youth population from other cities, which will boost the demand for residential and commercial properties and continue to promote the vibrant development of the property market.

Having considered the (i) Property Investment Business has made remarkable increase in 2016, which was due to the increase in rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone that contributed additional revenue during the financial year 2016 as set out in the AR2016; and (ii) Shenzhen real estate market has been benefited from government policies and the population and income per person of Shenzhen are expecting to continuous its upward trend, we concur with the Board's view in relation to the prospect of Shenzhen's real estate market and consider that the Acquisition is in the interest of the Company and the Shareholders as a whole.

Principal terms of the Acquisition Agreement

Date

18 January 2018

Parties

Purchaser	:	the Company
Vendors	:	Dr. Lin, the sole and beneficial owner of 100% equity interest in Realord Ventures
	:	Madam Su, the sole and beneficial owner of 100% equity interest in Manureen Ventures

Given that Dr. Lin and Madam Su are executive Directors, they are connected persons of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

The assets to be acquired under the Acquisition Agreement are the Sale Shares, which represent the entire equity interest in Realord Ventures and Manureen Ventures. Realord Ventures and Manureen Ventures respectively hold 70% and 30% of the equity interest in Realord Investment. The principal assets of the Target Group are the Properties, details of which are set out in the section headed "Information on the Target Group".

Total Consideration

It has been agreed that the Total Consideration of RMB6,326,150,579 (equivalent to approximately HK$7,596 million) (subject to adjustment to the Ancillary Net Items as at the date of Completion) will be split into the Share Consideration and the Shareholder's Loan. As the Shareholders' Loan will be provided by the Company to the Target Group for the full settlement of the Target's Outstanding Debts as at the date of the Completion on a dollar for dollar basis, the actual amount of the Shareholders' Loan will be determined based on the amount of the Target's Outstanding Debts as at the date of Completion as shown on the Completion Accounts. After the Target's Outstanding Debts as at the date of Completion and thus the amount of the Shareholder's Loan has been ascertained, the remaining amount of the Total Consideration will be the Share Consideration. The Target's Outstanding Debts represented the aggregate amount of the outstanding debts owed by the Target Group in relation to the Properties (including the debts due to the Vendors, companies controlled by any of them, suppliers/contractors and the outstanding bank borrowings and bonds owed by the Target Group), net of advance paid to these parties (if any) and bank balances and cash of the Target Group, as at the date of Completion. According to the Audited Accounts set out in Appendix IV, as at 31 December 2017, the Target's Outstanding Debts amounted to approximately HK$2,855 million.

For illustration purpose, assuming the balance of the Target's Outstanding Debts remains at approximately HK$2,855 million as at the date of Completion, the Total Consideration would be apportioned as to (i) approximately HK$2,855 million attributable to the Shareholder's Loan; and (ii) approximately HK$4,741 million attributable to the Share Consideration.

The Total Consideration of RMB6,326,150,579 (equivalent to approximately HK$7,596 million) (subject to adjustment to the Ancillary Net Items as at the date of Completion as detailed below) calculated based on the Audited Accounts as at 31 December 2017 shall be satisfied by the Company in the following manner:

(i) as an amount between RMB3,000,000,000 (equivalent to approximately HK$3,602,100,000) and RMB3,600,000,000 (equivalent to approximately HK$4,322,520,000) payable by way of cash at Completion (i.e. the Cash Consideration);

(ii) as to RMB1,108,828,856 (equivalent to approximately HK$1,331,370,808) by way of allotment and issuance of 280,998,482 Consideration Shares at the Issue Price of HK$4.738 per Consideration Share at Completion;

(iii) as to an amount between RMB1,517,321,723 (equivalent to approximately HK$1,822 million) and RMB2,117,321,723 (equivalent to approximately HK$2,542 million) by way of the issue of the First Tranche Promissory Note at Completion; and

(iv) as to RMB100,000,000 (equivalent to approximately HK$120,070,000) (subject to adjustment) by way of the issue of the Second Tranche Promissory Note within 5 Business Days following the issue of the Completion Accounts.

Pursuant to the Acquisition Agreement, the exact amount of the Cash Consideration and the portion of the Total Consideration to be settled by way of the First Tranche Promissory Note shall be determined by the Company at its discretion before Completion. For illustrative purpose, assuming the Cash Consideration is RMB3,000 million (equivalent to approximately HK$3,602 million), the portion of the Total Consideration to be settled by the First Tranche Promissory Notes would be approximately RMB2,117 million (equivalent to approximately HK$2,542 million). If the Cash Consideration amounted to RMB3,600 million (equivalent to approximately HK$4,323 million), the portion of the Total Consideration to be settled by the First Tranche Promissory Notes would be RMB1,517 million (equivalent to approximately HK$1,822 million).

Pursuant to the Acquisition Agreement, the Cash Consideration will be payable in form of the Shareholder's Loan to be provided by the Company to the Target Group for the full settlement of the Target's Outstanding Debts as at the date of Completion. Shall there be surplus of the Cash Consideration after full settlement of the Target's Outstanding Debts, the balance of the Cash Consideration will be payable to the Vendors directly as part payment of the Share Consideration. For illustration purpose, assuming the Target's Outstanding Debts as at the date of Completion is approximately RMB2,378 million (equivalent to approximately HK$2,855 million), the Cash Consideration in the same amount will be payable in form of the Shareholder's Loan. The remaining balance ranging from approximately RMB622 million (equivalent to approximately HK$747 million) (where the Cash Consideration amounts to RMB3,000 million) to RMB1,222 million (equivalent to approximately HK$1,468 million) (where Cash Consideration amounts to RMB3,600 million) will be payable to the Vendors directly as part payment of the Share Consideration.

The Total Consideration was arrived at with reference to the sum of (i) the Properties Valuation of approximately RMB6,220 million (equivalent to approximately HK$7,468 million) as at 30 September 2017; and (ii) the amount of the Ancillary Net Items as at the date of Completion. As the appraised value of both Guangming Land and the Staff Housings is zero as at 30 September 2017, the preliminary Properties Valuation of RMB6,220 million (equivalent to approximately HK$7,468 million) was attributable to the appraised value of (i) the Guanlan Property of approximately RMB3,300 million (equivalent to approximately HK$3,962 million); and (ii) the Guangming Property of approximately RMB2,920 million (equivalent to approximately HK$3,506 million) as at 30 September 2017. According to the Valuation Report, the Properties Valuation as at 31 December 2017 amounted to RMB6,400 million (equivalent to approximately HK$7,684 million). No adjustment to the Total Consideration in this regard.

The Ancillary Net Items represented the sum of all the assets and liabilities of the Target Group which are not related to the Properties as at Completion. For illustrative purpose and based on the Audited Accounts set out in Appendix IV, the Ancillary Net Items as at 31 December 2017 of approximately HK$127.5 million comprised of the following:

	HK$'000
Other property, plant and equipment (including computer systems, furniture, fixtures and equipment and motor vehicles)	715
Trade and other receivables	181,608
Trade and other payables (excluding accrued expenditure on construction, which formed part of the Target's Outstanding Debts)	(52,315)
Income tax payable	(2,553)
Ancillary Net Items	**127,455**

For the avoidance of doubt, (i) buildings (included under property, plant and equipment), prepaid lease payments, stock of properties as at 31 December 2017 as disclosed in the Audited Accounts; and (ii) accrued expenditure on construction (included under trade and other payables), amount due to related companies and directors, bank borrowings, bonds and finance lease obligations (net of pledged bank deposits and bank balances and cash) which represented the aggregate amount of the Target's Outstanding Debts owed by the Target Group in relation to the Properties as at 31 December 2017, do not form part of the Ancillary Net Items given they all are related to the Properties.

The Total Consideration is subject to a dollar-for-dollar adjustment to the amount of the Ancillary Net Items as shown on the Completion Accounts. Pursuant to the Acquisition Agreement, the Company shall procure the auditors appointed by the Company to prepare and provide the Completion Accounts within five months from the date of Completion. According to the Audited Accounts as set out in Appendix IV to the Circular, as at 31 December 2017, the Ancillary Net Items amounted to approximately HK$127.5 million. For illustration purpose, assuming the balance of the Ancillary Net Items remain at approximately HK$127.5 million at the date of Completion, the Total Consideration will be approximately RMB6,326 million (equivalent to approximately HK$7,596 million).

As the Total Consideration was determined based on the Properties Valuation as at 30 September 2017 and the amount of the Ancillary Net Items (i.e. being the sum of all the assets and liabilities of the Target Group that are not related to the Properties) as at the date of Completion, and the Vendors have warranted that the Target Group shall not have any debts or liabilities outstanding as at the date of Completion other than the liabilities included in the Ancillary Net Items and the Shareholder's Loan, the Directors consider that the Total Consideration determined in this manner is fair and reasonable.

We have reviewed the Properties Valuation and interviewed with the valuer, details of work done and our analysis are set out in the section headed "Properties Valuation". Regarding the Ancillary Net Items, we have obtained and reviewed the calculation and breakdown of the Ancillary Net Items and we note that the Ancillary Net Items are those items not related to the Properties and mainly related to the government housing. Given that the Ancillary Net Items will be settled in an amount of dollar-for-dollar basis and Vendors have warranted that the Target Group shall not have any debts or liabilities outstanding as at the date of Completion other than the liabilities included in the Ancillary Net Items and the Shareholder's Loan, we concur with the view of the Directors that the determination of the Total Consideration is fair and reasonable.

Consideration Shares

Pursuant to the terms of Acquisition Agreement, 280,998,482 Consideration Shares will be allotted and issued at the Issue Price of HK$4.738 per Consideration Share, and there is no restriction on the subsequent sale of the Consideration Shares. The Issue Price of HK$4.738 per Consideration Share represents:

(i) a discount of approximately 7.82% to the closing price of HK$5.14 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 7.46% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day, being approximately HK$5.120 per Share;

(iii) a discount of approximately 8.74% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day, being approximately HK$5.192 per Share;

(iv) a discount of approximately 9.49% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day, being approximately HK$5.235 per Share;

(v) a discount of approximately 11.59% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day, being approximately HK$5.359 per Share;

(vi) a discount of approximately 4.38% to the average of the closing prices of Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day, being approximately HK$4.955 per Share;

(vii) the average of the closing prices of Shares as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day, being approximately HK$4.738 per Share;

(viii) a premium of approximately 3.72% over the average of the closing prices of Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day, being approximately HK$4.568 per Share;

(ix) a premium of approximately 1.78% over the average of the closing prices of Shares as quoted on the Stock Exchange for the last 12 months up to and including the Last Trading Day, being approximately HK$4.655 per Share;

(x) discount of approximately 0.04% to the closing prices of HK$4.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(xi) a premium of approximately 438.41% over the unaudited consolidated equity attributable to the Shareholders of approximately HK$0.88 per Share as at 30 June 2017 (based on the unaudited consolidated equity attributable to the Shareholders of approximately HK$1,007,373,000 as at 30 June 2017 as disclosed in the interim report of the Company for the six months ended 30 June 2017 and 1,150,751,398 Shares in issue as at the Latest Practicable Date).

The Issue Price of HK$4.738 per Consideration Share was determined after arm's length negotiations between the Company and the Vendors with reference to the prevailing market prices of the Shares. The Directors consider that the Issue Price is fair and reasonable given (i) it represented a slight premium to the average closing price of the Shares during the last 12 months prior to the date of the Acquisition Agreement; (ii) comparison with the 12-month average of the Shares price is sensible which indicates the general trend of the prevailing performance of the Shares although the Share prices fluctuated significantly during this period; (iii) the discounts represented by the Issue Price to closing price of the Shares on the Last Trading Day, to the 5-day average of the closing prices and the 10-day average of the closing prices all fall within the range of the comparable transactions which involved issue of consideration shares to a connected person and announced within three months prior to the Last Trading Day. The aforesaid comparable transactions include transactions firstly announced by (i) Differ Group Holding Company Limited (stock code: 6878) on 21 November 2017; (ii) China Fire Safety Enterprise Group Limited (stock code: 445) on 4 December 2017; (iii) Beijing Gas Blue Sky Holdings Limited (stock code: 6828) on 28 December 2017; (iv) V1 Group Limited (stock code: 82) on 4 January 2018; (v) China Zenith Chemical Group Limited (stock code: 362) on 5 January 2018; and (vi) Sino Biopharmaceutical Limited (stock code: 1177) on 5 January 2018. Having excluded V1 Group Limited (an outlier having higher premium of the issue price over the closing price of its shares among the comparable transactions), the issue price of the relevant consideration share in these comparable transactions illustrated a range (i) between 0.3% premium over and 20.4% discount to the closing price of the relevant share on the last trading day before the relevant announcement; (ii) between 0.0% premium over and 16.8% discount to the 5-day average of the closing price of the relevant share before the relevant announcement; and (iii) between 1.8% premium over and 16.8% discount to the 10-day average of the closing price of the relevant share.

Our view on the abovementioned comparable transactions are set out in the section headed "Transaction comparables" in this letter.

The 280,998,482 Consideration Shares, when allotted and issued, will represent (i) approximately 24.42% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 19.63% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares. As such, the allotment and issuance of the Consideration Shares will not result a change of control of the Company.

The Consideration Shares will be allotted and issued under special mandate of the Company to be sought at the SGM. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing Shares then in issue.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer:	the Company
Noteholder:	Manureen Holdings, being the nominee of the Vendors
Principal amount with Issue date:	(i) First Tranche Promissory Notes: from RMB1,517,321,723 to RMB2,117,321,723 to be issued at Completion (ii) Second Tranche Promissory Notes: RMB100,000,000 (subject to adjustment) within 5 Business Days following the issue of the Completion Accounts
Maturity:	the date falling on the fifth anniversary of the date of the respective issue of Promissory Notes
Interest:	at an interest rate equivalent to 2% less than the interest rate of the bank and/or other facilities to be actually obtained by the Company and/or any wholly-owned subsidiary of the Company for the payment of the cash portion of the Total Consideration The Directors consider that the interest rate of the Promissory Notes is favourable to the Company and the Shareholders as a whole given it ensures that the Company will not offer to the Vendors an interest rate higher than its cost of debt

Early redemption:	the Company may redeem all or part of the outstanding principal amount of the Promissory Notes at any time prior to the maturity date by serving not less than 10 Business Days' prior written notice to the noteholder, provided that each redemption shall be made in the principal amount of not less than RMB1,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Notes is less than RMB1,000,000)
Transferability:	the Promissory Notes are transferrable

As Manureen Holdings, which is nominated by the Vendors as the noteholder of the Promissory Notes under the Acquisition Agreement, is owned as to 70% and 30% by Dr. Lin and Madam Su respectively and is the controlling Shareholder holding 790,001,518 Shares, representing 68.65% of the issued Shares as at the Latest Practicable Date, Manureen Holdings is a connected person of the Company under Chapter 14A of the Listing Rules.

Evaluation of the Share Consideration

In assessing the fairness and reasonableness of the Share Consideration, we have primarily considered (i) the Properties Valuation, details of which are set out in Appendix VI to the Circular; (ii) adjusted net asset value of the Target Group; (iii) P/B /Ratio of the Target Group; (iv) the Consideration Shares; and (v) the terms of the Promissory Notes.

Properties Valuation

The Company has appointed Roma Appraisals Limited as the independent valuer (the "**Valuer**") to assess the market value of the Properties. Pursuant to the Valuation Report issued by the Valuer, the appraised value of the Properties was RMB6,400 million (equivalent to approximately HK$7,684 million) as of 31 December 2017. For details of the Properties Valuation, please refer to the Valuation Report as set out in Appendix VI to the Circular.

We have reviewed the Valuation Report and the underlying valuation workings and discussed with the Valuer, including, among other things:

(i) the terms of engagement of the Valuer with the Company in connection with the Acquisition and its independency. We consider that the scope of valuation work per the engagement letter entered into between the Company and the Valuer are appropriate for the purpose of the Acquisition. Save for such engagement, the Valuer has confirmed that it is independent from the Company, the Vendors, the Target Group and any of their respective associates;

(ii) the qualification and experience of the Valuer in relation to the valuation of the Properties. We are given to understand that the Valuer is certified with the relevant professional qualifications required to perform the valuation in connection with the Acquisition, and one of the two professionals in-charge of the valuation possesses, has over 35 years of experience in the valuation of properties in Hong Kong and also has over 20 years' experience in the valuation of properties in Macau, Taiwan, the PRC and the Asia Pacific region. According to the track record of the Valuer, we note that it is experienced in undertaking valuation for properties (including residential and commercial buildings) in the PRC; and

(iii) the valuation methodology, procedures and assumptions adopted by the Valuer in preparing the Valuation Report. The Valuer advised that it had performed necessary due diligence for the preparation of the Valuation Report which includes inspections, made relevant enquiries and searches and obtained such further information as considered necessary, and conducted its own proprietary research for similar properties to the Properties. We also note from the Valuer that, in valuing the Properties, the Valuer has fully complied with relevant valuation standards where details are set forth in the Valuation Report contained in Appendix VI to the Circular.

In arriving at the appraised value of the Properties, we are given to understand that the Valuer has made the following assumptions:

(i) the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties;

(ii) no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties; and

(iii) no allowance has been made for the properties to be sold in one lot or to a single purchaser.

As further advised by the Valuer, they had collected and analysed the comparable properties to the Properties. We noted that the Properties comprise with (i) the Guanlan Property, which is a combination of retail shops, commercial/apartment buildings and carparks; and (ii) the Guangming Property, which consist of offices with carparks.

We have reviewed the underlying workings of the Valuation Report and discussed with the Valuer on the selection criteria of the comparable properties and the adjustments made. We noted that the comparable properties are (i) retails shops, commercial/apartment buildings with similar characteristics with those of Guanlan Property and are within the proximity of the Guanlan Property; (ii) the offices with similar characteristics with those of Guangming Property located in Shenzhen city. We are given to understand from the Valuer that due to the uniqueness of the Guangming Property, there are no similar properties within the proximity of the Guangming Property, as such the Valuer has extended the selection area; and (iii) the carparks with similar characteristics with those of the Properties and are residential carparks in Shenzhen city. As advised by the Valuer, commercial carparks are normally not for sale as they are one of the facilities complement to the commercial buildings. Hence, the Valuer selected residential carparks as comparables. Based on the abovementioned criteria, the Valuer has identified 7 comparable properties for the commercial/apartment buildings component of the Guanlan Property, 5 comparable properties for the shop component of the Guanlan Property, 14 comparable properties for the office component of the Guangming Property and 6 comparable properties for the carpark component of the Properties. We are given to understand from the Valuer that, as at the date of the Valuation, the comparable properties for the relevant components of the Properties are exhaustive (collectively the "**Comparable Properties**").

We also noted that the Comparable Properties are extracted from the property agencies' websites i.e. http://news.sz.fang.com/ and http://sz.58.com/, which are well-known property agencies' websites showing benchmark market price of various types of properties in Shenzhen. While for the carparks comparables, they are extracted from a website that specialised in carpark transactions in Shenzhen i.e. http://sz.chewei.cn/. Further criteria are imposed to the selection of the Comparable Properties based on the time frame and the Valuer's professional knowledge in which the Comparable Properties shall be closely comparable with minimum adjustment needed.

Prices of the Comparable Properties were then adjusted to reflect the difference between the Comparable Properties and the Properties including, among others, properties' characteristics, location, effective saleable area and considerations to obtain an adopted unit rate for each type of buildings (i.e. retails shops, commercial/apartment buildings, offices and carpark) of the Properties. The appraised value of the Properties is then derived from the sum of the estimated adopted area for each type of buildings of the Properties times the relevant adopted unit rate of the Properties for each type of buildings of the Properties, apart from the appraised value of the carparks, which the appraised value of the carparks is derived from the number of bays times the relevant adopted unit rate.

For due diligence purpose, we have visited the abovementioned websites and we have conducted independent search on all the Comparable Properties selected by the Valuer. Our findings are similar to those of the Valuer.

Regarding the carparks comparables, we note that the Valuer has adopted the lower end of the range of unit rate of the carparks comparables. As advised by the Valuer, generally speaking, residential carparks in the neighborhood would have a higher value than commercial carparks. Since the carparks of the Properties consist of a combination of commercial and residential use, we are of the view that adopting the lower end of the range of unit rate of the carparks comparables as the appraised value of the carparks of the Properties are fair and reasonable.

Given that (i) the Comparable Properties are with similar characteristics of the Properties; (ii) the source of the Comparable Properties represents the market price of the Comparable Properties; and (iii) the qualification and experience of the Valuer as mentioned above, we are of the view that the Comparable Properties are fair and representative.

From our discussion with the Valuer in respect of the basis and assumptions of the Properties Valuation, we have not identified any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the Properties Valuation.

Given the abovementioned, we are of the view that (i) the Valuer is independent from the Company and has sufficient qualification and experience for preparation of the Valuation Report; and (ii) the methodology and the principal basis and assumptions adopted for the Properties Valuation are fair and reasonable.

Comparison between the adjusted net asset value of the Target Group and the Share Consideration

Pursuant to the Acquisition Agreement, the Company will acquire the Sale Shares and provide a Shareholders' Loan equivalent to the Target's Outstanding Debts as part of the Share Consideration.

To assess the fairness and reasonableness of the Total Consideration, we have considered that it is more appropriate to compare the Share Consideration with the adjusted net asset value (the "**Adjusted NAV**") of the Target Group after taking into the appraised value of the Properties and comparing it to the Share Consideration which reflects the most updated net asset value of the Target Group. Based on the information provided by the management and as set out in the Circular, set out below is the relevant calculations of the Adjusted NAV:

	HK$'000
Total Consideration comprised of:	
Total Consideration	7,595,809
Less: Shareholder's Loan *(Note 1)*	2,854,909
Equal: Share Consideration *(Note 1)*	4,740,900
Adjusted NAV calculations:	
Add:	
Appraised value of the Properties as at 31 December 2017 *(Note 2)*	7,684,480
Net asset of Realord Ventures as at 31 December 2017	8
Net asset of Manureen Ventures as at 31 December 2017	8
Net asset of Realord Investment as at 31 December 2017	22,893
Less:	
Stock of properties *(Note 3)*	2,734,879
Adjusted NAV	4,972,510
Discount to Adjusted NAV	231,610
(Percentage is calculated based on the difference between the Adjusted NAV and the Share Consideration divided by the Adjusted NAV)	*(representing approximately 4.66% discount)*

Notes:

1. assuming the balance of the Target's Outstanding Debts remains at approximately HK$2,855 million as at the date of Completion, the Total Consideration would be apportioned as to (i) approximately HK$2,855 million attributable to the Shareholder's Loan; and (ii) approximately HK$4,741 million attributable to the Share Consideration.

2. the Properties are valued at RMB 6,400 million (equivalent to approximately HK$7,684 million) as set out Appendix VI of the Circular.

3. the stock of properties is valued at HK$2,735 million as set out Appendix IV of the Circular.

As shown in the above calculations, the Share Consideration is approximately HK$4,740.9 million and the Adjusted NAV is approximately HK$4,972.5 million. Accordingly, the Share Consideration represents an approximately 4.66% discount to the Adjusted NAV.

Having (i) taken into account of the Properties Valuation, which detail analysis have been set out above; and (ii) the discount represents by the Share Consideration to the Adjusted NAV we are of the view that the Share Consideration is fair and reasonable.

Comparables

In order to further assess the fairness and reasonableness of the Share Consideration, we have attempted to compare the price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") as represented by the Share Consideration to the unaudited net profit after taxation of Target Group for the year ended 31 December 2016 and to the Adjusted NAV, with the P/E Ratio and P/B Ratio of other companies engaged in property investment businesses (income generated from operating and leasing properties) similar to the Target Group. However, since the Target Group is loss making for the year ended 31 December 2016, P/E Ratio is not applicable.

Based on the following criteria: (i) the companies are listed on the Stock Exchange; and (ii) generate over 90% of total revenue from property investment businesses (i.e. income generated from operating and leasing properties), which is similar to the principal business of the Target Group, 6 companies are selected, which are exhaustive (the "**Business Comparables**"). We consider that the Business Comparables are fair and representative samples for comparison, since (a) the primary source of income of each of the Business Comparables is property investment which is similar to the Target Group and (b) the investment properties held by the Business Comparables are subject to fair value adjustment for each corresponding accounting period. Details of our analysis are set out in the following table:

Stock Code	**Company name**	**Principal business activities**	**Equity attributable to owners of the company** *(Note 1)*	**P/B ratio** *(Note 2)*
0105	Associated International Hotels Limited	an investment holding company, engages in the property investment activities in Hong Kong.	HK$13,762,938,000	0.67
3699	Everbright Grand China Assets Ltd	an investment holding company, provides property leasing and management services in the People's Republic of China.	HK$871,401,591	0.52
0499	Qingdao Holdings International Ltd	an investment holding company, engages in the property leasing and loan finance activities in Hong Kong.	HK$253,849,000	1.14

Stock Code	Company name	Principal business activities	Equity attributable to owners of the company *(Note 1)*	P/B ratio *(Note 2)*
0277	Tern Properties Company Limited	an investment holding company, engages in property investment and treasury investment activities primarily in Hong Kong.	HK$3,692,371,000	0.38
0864	Wing Lee Property Investments Ltd	an investment holding company, invests in real estate properties. The company leases commercial and residential properties, as well as industrial properties.	HK$1,046,311,000	0.43
0075	Y. T. Realty Group Limited	an investment holding company, engages in the property investment and trading activities, and provision of property management and related services in Hong Kong, the United Kingdom, Mainland China, and internationally.	HK$1,558,489,000	1.42
			Maximum	**1.42**
			Minimum	**0.38**
			Average	**0.76**
	The Target Group (Adjusted NAV)		**HK$4,972,510,000** *Note 3*	**0.95** *Note 4*

Source: Annual reports and interim reports of Business Comparables & S&P Capital IQ

Note:

1. Amount denominated in RMB is translated to Hong Kong dollars at the exchange rate ruling of RMB1 to HK$1.2007.

2. P/B Ratio is calculated with reference to the closing prices as quoted on the Stock Exchange at the Last Trading Day and the equity attributable to owners is extracted from the latest relevant annual reports, interim reports and prospectus of the Business Comparables prior to the Last Trading Day and represents the fair value of the investment properties as at the date of the corresponding reports.

3. The amount represents the Adjusted NAV.

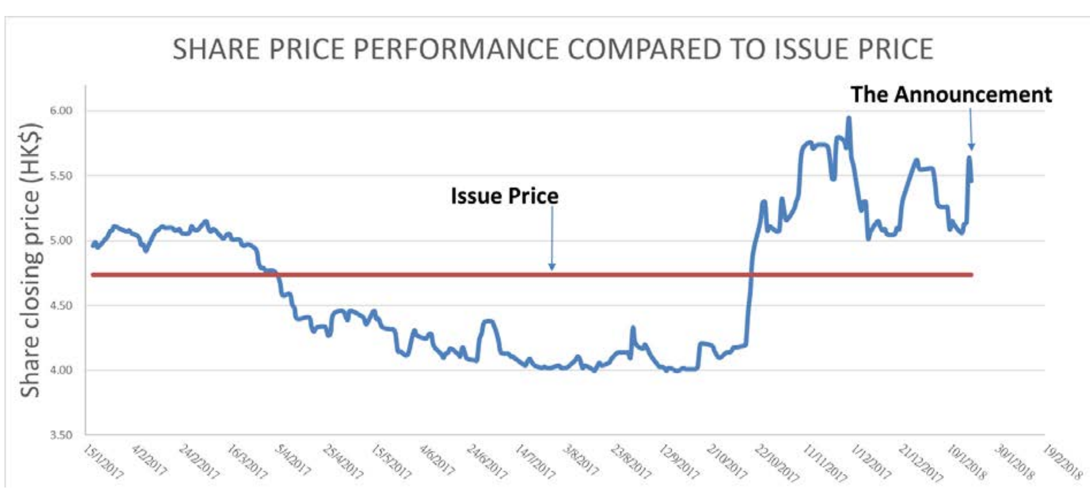
4. The P/B Ratio of the Target Group implied by the Share Consideration (the "**Implied P/B**") is calculated based the Share Consideration of approximately HK$4,740.9 million divided by the Adjusted NAV of approximately HK$4,972.5 after taking into consideration of the revaluation of the Properties.

As shown from the table above, the P/B Ratios of the Business Comparables range from a minimum of 0.38 times to a maximum of 1.42 times with an average of 0.76 times. The Implied P/B of approximately 0.95 times is within the range of the Business Comparables. Having further considered that the Share Consideration represents a discount to the Adjusted NAV and our analysis on the Valuation Report as mentioned in the section headed "Properties Valuation", we are of the view that the Share Consideration is fair and reasonable.

Consideration Shares

Share price performance

The following chart illustrates the closing prices of the Shares for the period from 18 January 2017 (being 12 months prior to the date of the Acquisition Agreement) to the Last Trading Date (the "**Review Period**"):



Source: website of the Stock Exchange

During the Review Period, the Shares closed on the Stock Exchange were between the lowest price of HK$4.00 per Share on 15 August 2017, 14 September 2017, 18 September 2017 and 19 September 2017 and the highest price of HK$5.95 per Share on 29 November 2017, where the Issue Price represents a premium of approximately 18.45% over the lowest closing price per Share and a discount of approximately 20.37% to the highest closing price per Share. As demonstrated in the above chart, the closing prices of the Share during the Review Period have fluctuated greatly. We noticed a surge in Share price towards the end of October 2017 and have enquired with the management of the Company regarding the possible reasons for the surge in the Share price and were advised that the Company was not aware of any particular matters which might have impact on the Share price during such period.

In addition, during the Review Period, the average closing price of the Shares was approximately HK$4.66 per Share, where the Issue Price represents an approximately 1.67% premium to it. We consider that the Review Period is a representative period of time due to the fact that the Issue Price is determined based on, among other things, the historical performance of the Share and a one year period prior to the Review Period is a suitable length which provides a general picture of the historical and recent performance of the Share.

Transaction comparables

In order to further assess the fairness and reasonableness of the Issue Price, we have also compared the Issue Price against the recent transactions which involve the issue of consideration shares by the listed companies on the Stock Exchange. We have attempted to identify comparable transactions in which (i) the transactions involved the issue of consideration shares to a connected person; and (ii) the transactions are announced during the period three months prior to the Last Trading Day (the "**Comparable Period**").

We consider the Comparable Period of three months is adequate and appropriate given that the more recent share comparables can better demonstrate the prevailing market practices of listed companies in the Stock Exchange and thus are more representative and relevant. We consider that a review period of three months prior and up to the Last Trading Date is adequate and appropriate to capture the most recent market practice and reflect the general trend of the transactions which are issue of shares as all or part of the consideration to a connected person. Besides, we have also tried to extend the review period to a period of six months prior to the Last Trading Day while 10 comparable transactions are identified, with a wider range of discount/premium. Given the abovementioned, we considered that the Comparable Transactions (as defined below) are sufficient and meaningful for comparison because it is adequate to conclude the average value and the range of the discount and premium of issue price of the recent market practice. Nevertheless, Independent Shareholders should note that the Comparable Transactions are for the purpose of giving a market general reference to the recent market practice.

Furthermore, we consider the selection criteria of the comparable transactions are reasonable and appropriate. Based on the above criteria, we have identified the following comparable transactions (the "**Comparable Transactions**"). We consider that the Comparable Transactions set out below represent an exhaustive list of relevant comparable transactions based on the criteria set out above.

		Premium/(Discount) of the issue price over/(to) the average closing price of		
Name	**Date of first announcement**	**Last trading day on the date of the relevant announcement**	**Last 5 trading days up to and including the Last Trading Day**	**Last 10 trading days up to and including the Last Trading Day**
China Zenith Chemical Group Limited (Stock code: 362)	1/5/2018	(10.3%)	(2.0%)	1.8%
Sino Biopharmaceutical Limited (Stock code: 1177)	1/5/2018	(10.0%)	(8.0%)	(4.4%)
V1 Group Limited (Stock code: 82) *(Note)*	1/4/2018	27.7%	35.5%	34.5%
Beijing Gas Blue Sky Holdings Limited (Stock code: 6828)	12/28/2017	(2.0%)	(4.9%)	(4.8%)
China Fire Safety Enterprise Group Limited (Stock code: 445)	12/4/2017	(20.4%)	(16.8%)	(16.8%)
Differ Group Holding Co., Limited (Stock code: 6878)	11/21/2017	0.3%	0.0%	(2.1%)
	Maximum *(Note)*	0.3%	0.0%	1.8%
	Minimum (Note)	(20.4%)	(16.8%)	(16.8%)
	Average *(Note)*	(8.5%)	(6.3%)	(5.3%)
	The Acquisition	(7.8%)	(7.5%)	(8.7%)

Note: V1 Group Limited (Stock code: 82) is considered as an outlier due to extraordinary premium and by including V1 Group Limited into our analysis will create an arbitrary result.

Based on the above, the issue prices of the Comparable Transactions ranged from a discount of approximately 20.4% to a premium of approximately 0.3% to the closing price of the last trading day of the Comparable Transactions (the "**Market Range I**"); from a discount of approximately 16.8% to no premium/discount to the average closing price of the 5 trading days up to and including the last trading day of the Comparable Transactions (the "**Market Range II**"); and from a discount of approximately 16.8% to a premium of approximately 1.8% to the average closing price of the last 10 trading days up to and including the last trading day of the Comparable Transactions (the "**Market Range III**").

We noted that the Issue Price represents a discount of approximately 7.8% to the closing price of the Shares on the Last Trading Day (the "**Issue Price Discount I**"), a discount of approximately 7.5% to the average closing price of last 5 trading days up to and including the Last Trading Day (the "**Issue Price Discount II**"), and a discount of approximately 8.7% to the average closing price of last 10 trading days up to and including the Last Trading Day (the "**Issue Price Discount III**").

The Issue Price Discount I, the Issue Price Discount II and the Issue Price Discount III lie within the range of the Market Range I, the Market Range II and the Market Range III, respectively. The Issue Price Discount I lies above the average of Market Range I while the Issue Price Discount II and the Issue Price Discount III are slight below its respective average.

On the other hand, concerning the sample size of the Comparable Transactions, we have attempted to extend our research to the transactions involved the issue of consideration shares to a connected person and were announced during the period six months prior to the Last Trading Day. 10 comparable transactions were identified, with a wider range of discount/premium. Hence, we consider that the Comparable Transactions are indicative and conclusive and can provide a meaningful reference.

Having considered that (i) the closing prices of the Share have fluctuated greatly during the Review Period; (ii) the Issue Price is higher than the average closing price of the Shares on a long-term basis as mentioned in the above section; (iii) the Issue Price Discount I, the Issue Price Discount II and the Issue Price Discount III lie within the range of the Market Range I, the Market Range II and the Market Range III, respectively; and (iv) the Issue Price Discount I lies above the average of Market Range I, we are of the view that the Issue Price are fair and reasonable.

Promissory Notes

The Company will issue the Promissory Notes to settle the remaining portion of the Total Consideration. The Promissory Note shall bear at an interest rate equivalent to 2% less than the interest rate of the bank and/or other facilities obtained by the Company and/or any wholly-owned subsidiary of the Company.

We have enquired with the management of the Company that they have approached 3 banks in the PRC (the "**Banks**") for the interest rate of the loan facilities and the interest rate of the Promissory Note shall be 2% below the minimum interest rate of the loan facilities quoted among the Banks. Given the interest rate of the Promissory Note is less than the interest rate offered by the Banks, which are independent third parties, we are of the view that the interest rate of the Promissory Note is fair and reasonable.

In view of the liquidity position and the indebtedness of the Group as at 30 June 2017 as mentioned in the section headed "Historical financial performance of the Group", the Directors believe that the issue of Promissory Notes as part of the Share Consideration will (i) enable the Group to defer its cash payment with a finance cost which is 2% below the market rate; and (ii) allow greater flexibility to the Group and help preserve its cash resources for working capital needs prior to the maturity of the Promissory Note. Taking into account the above, we are of the view that the issuance of the Promissory Note to settle the remaining portion of the Total Consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and immediately after the allotment and issuance of 280,998,482 Consideration Shares in accordance to the terms of the Acquisition Agreement (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date):

	As at the Latest Practicable Date		**Upon Completion and immediately after the allotment and issuance of 280,998,482 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)**	
	Number of Shares	*%*	*Number of Shares*	*%*
The Vendors *(note)*	790,001,518	68.65	1,071,000,000	74.80
Public Shareholders	360,749,880	31.35	360,749,880	25.20
Total	1,150,751,398	100.0	1,431,749,880	100.0

Note: As at the Latest Practicable Date, 790,001,518 Shares are held by Manureen Holdings, which is in turn owned as to 70% and 30% by Dr. Lin and Madam Su respectively.

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

(i) Independent Shareholders are offered a chance to express their views on the terms of the Acquisition Agreement and the transactions contemplated thereunder through their votes at the SGM;

(ii) considering the future development of the Company, the issuance of the Consideration Shares allows the Company to avoid a substantial cash outflow, which enable the Company to maintain a sufficient level of liquid assets such as cash for working capital and/or any investment opportunities indeed arise in the future.

Having considered the reasons for and benefits of the Acquisition mentioned in the section above, the financial effects of the Acquisition, and the analysis on the reasonableness of the consideration and the Issue Price, we consider that the dilution on the shareholding interests of the Independent Shareholders in the Company upon Completion is justifiable.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Realord Ventures and Manureen Ventures will become wholly-owned subsidiaries of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

At Completion, the Acquisition will be accounted for as the acquisition of assets for the Group. Given the Properties at existing state, together with the managerial staff who previously oversaw the property development business but will be retained for overseeing the leasing of the Properties, will not be sufficient to operate the property investment business of Realord Investment on their own upon Completion and depending on its business plan, additional inputs, such as funding, and marketing and administrative staffs, would be required for the Target Group to operate such business after Completion. Accordingly, the Acquisition does not qualify for accounting as business combination in accordance to Hong Kong Financial Reporting Standard 3 "Business Combinations".

Earnings

The Group recorded a net profit attributable to the owners of the Company of approximately HK$80.1 million for the year ended 31 December 2016. Based on the unaudited pro forma financial information of the Group in Appendix V to the Circular, the unaudited pro forma net profit of the Group for the year ended 31 December 2016 would have been increased by approximately HK$289.2 million from HK$80.1 million to approximately HK$369.3 million assuming Completion had taken place on 1 January 2016. The decline in the unaudited pro forma net profit was attributable to (i) the interest expenses arising from the Promissory Notes and borrowings of the Group to be obtained to finance the Acquisition; and (ii) estimated transaction costs on the Acquisition which were non-recurring in nature. For the avoidance of doubt, the unaudited pro forma financial information has not taken into account the effect on earnings that are expected to arise from the Properties, such as rental income and fair value change of the Properties, which would depend on the property market conditions.

Net asset value

As set out in the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place as set out in Appendix V to the Circular, had the Acquisition been completed on 30 June 2017, the total assets of the Group would have been increased by approximately HK$7,561.5 million from approximately HK$2,023.8 million as at 30 June 2017 to approximately HK$9,585.3 million and the total liabilities of the Group would have been increased by approximately HK$5,460.6 million from approximately HK$996.5 million as at 30 June 2017 to approximately HK$6,457.1 million.

RECOMMENDATION

Having considered the above principal factors and reasons, although the Acquisition is not in the ordinary and usual course of business of the Company, we are still of the view that (i) the terms of the Acquisition Agreement and the transaction contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the Transaction.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the nine months ended 31 December 2014, for the two years ended 31 December 2015 and 31 December 2016, and for the six months ended 30 June 2017 respectively are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.realord.com.hk):

(i) annual report of the Company for the nine months ended 31 December 2014 published on 10 April 2015 (pages 26 to 128), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN20150410003.pdf;

(ii) annual report of the Company for the year ended 31 December 2015 published on 15 April 2016 (pages 36 to 143), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0415/LTN20160415229.pdf

(iii) annual report of the Company for the year ended 31 December 2016 published on 27 april 2017 (pages 43 to 155), which can be assessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271685.pdf; and

(iv) interim report of the Company for the six months ended 30 June 2017 published on 11 September 2017 (pages 3 to 42), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0911/LTN20170911773.pdf.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the performance and other information of the Group, for the nine months ended 31 December 2014, for the two years ended 31 December 2015 and 2016, and for the six months ended 30 June 2017. Unless the context otherwise require, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the year ended 31 March 2014, for the nine months ended 31 December 2014 and for the two years ended 31 December 2015 and 2016, and the interim report for the six months ended 30 June 2017 respectively.

(i) For the nine months ended 31 December 2014

Business Review

General Review

The Group has changed its financial year-end date from 31 March to 31 December with effective from 2014. This change has resulted in a shorter reporting period to nine months (April to December). For meaningful comparison purpose, financial data for the last corresponding period (April 2013 to December 2013) was provided on page 11 of the annual report of the Company for the nine months ended 31 December 2014. It should be noted that the financial data for the last corresponding nine-month period has not been reviewed nor audited by the auditors of the Company.

During the current period, the Group recorded a total revenue of approximately HK$89.2 million, which represented an increase of about 39.4% to that of the last corresponding period of approximately HK$64.0 million. Gross profit margin of the Group has been decreased to 48.3% for the current period, as compared to 62.9% for the last corresponding period. The Group recorded a loss attributable to equity holders from continuing operations of approximately HK$3.5 million for the current period as compared with a profit attributable to equity holders of HK$1.4 million for the last corresponding period.

The increase in revenue was primarily due to the new business segment of sales and distribution of motor vehicle parts established during the period, however, due to trading nature of motor vehicle parts business segment, this new business segment led to overall decrease in gross profit margin. The loss attributable to equity holders from continuing operations was mainly due to the increase in corporate expenses, including increase in legal and professional expenses incurred for the disposal of Brilliant Stage Holdings Limited and increase in rental expenses for the new head office in Hong Kong.

Business Operation

Subsequent to the disposal of business segments of manufacture and sale of paper cartons, packaging boxes and children's novelty books and food and beverage of the Group on 20 June 2014, the principal activities of the Group are Commercial Printing Business and Hangtag Business. During the current period, the Group has also set up a company engaged in Motor Vehicle Parts Business.

The Group's commercial printing business remained stable with slight growth in revenue during the current period. The revenue increased by 1.4% to 52.1 million compared to that of the last corresponding period of HK$51.4 million. The profit from this segment, however, decreased from HK$4.8 million for the last corresponding period to approximately HK$1.1 million for the current period which was mainly due to the increase in staff cost and removal cost incurred in office relocation during the current period.

The Group's revenue from the Hangtag Business increased by 5.6% to approximately HK$13.3 million for the current period under review as compared to that of the last corresponding period of HK$12.6 million. The increase in revenue was mainly due to increase in orders from both existing and new customers. As a result, the Group recorded a decrease in loss to HK$0.1 million for the current period compared to a loss of HK$0.7 million for last corresponding period.

The Motor Vehicle Parts Business commenced operations in October 2014 and generated revenue of approximately HK$23.9 million for the current period. Due to the trading nature of sales and distribution of motor vehicle parts, the Motor Vehicle Parts Business contributed a relatively low gross profit margin to the Group as compared to other business segments of the Group. The profit from this segment for the current period amount to approximately HK$1.4 million.

For the current period, the Group had disposed of Brilliant Stage Holdings Limited. Therefore, the Group recorded a loss from discontinued operations of approximately HK$3.7 million, which was arising from the operating loss of approximately HK$2.5 million and the loss on disposal of Brilliant Stage Holdings Limited of approximately HK$1.2 million, as compared with the operating profit of approximately HK$21.9 million from discontinued operations for the last corresponding period.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and short term bank deposits as at 31 December 2014 amounted to approximately HK$281.5 million (31 March 2014: HK$135.3 million), which were mainly denominated in HK$ and RMB (31 March 2014: US$, HK$ and RMB).

Its gearing ratio as at 31 December 2014 was 30.2% (31 March 2014: 2.8%), based on the interest-bearing bank borrowings denominated in HK$ (31 March 2014: HK$ and EUR) of approximately HK$100.0 million (31 March 2014: HK$13.6 million) and total equity of the Group of HK$331.5 million (31 March 2014: HK$485.8 million). The interest-bearing bank borrowings carried interest rate at HIBOR plus 1.5% per annum (31 March 2014: HIBOR plus 1.5% to 2.6% and Prime Rate minus 3.1% per annum) with maturity within 1 year (31 March 2014: ranging from 1 year to 20 years).

The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange Rate Exposure

Subsequent to the disposal of Brilliant Stage Holdings Limited, most of the operating transactions of the Group were denominated in Hong Kong dollars and US dollars. For the nine months ended 31 December 2014, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and United States dollars was relatively stable under the current peg system.

Financial Guarantees and Charges on Assets

As at 31 December 2014, general banking facilities were granted to one of the wholly owned subsidiary of the Group, which were secured by legal charges on certain deposits hold by the Group with a total net book value of approximately HK$105.5 million.

As at 31 March 2014, corporate guarantees amounting to approximately HK$328.3 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$64.8 million.

Dividends

The Directors did not recommended the payment of final dividend (31 March 2014: Nil) for the nine months period ended 31 December 2014. No interim dividend (30 September 2014: Nil) have been recommended for the period. Special dividend of HK$0.5 per share (31 March 2014: Nil) have been approved in the special general meeting held on 11 June 2014 and paid during the period. Total dividend for the period is HK$0.5 per share (31 March 2014: Nil).

Prospects

Upon the completion of the Asset Reorganisation, the Group will be principally engaged in two major segments (i) commercial printing; and (ii) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags. During the current period, the Group has also set up a company engaged in operations of sales and distribution of motor vehicle parts.

Looking forward, the Group will keep on developing the Commercial Printing Business, Hangtags Segment and the newly established Motor Vehicle Parts Business. Though the operating environment of the Commercial Printing Business and Hangtag Business are competitive, the Group will continuously strengthen its business team to widen its customer base.

In order to diversify from its existing businesses and to participate in the securities trading industry, the Company has announced on 12 November 2014 that the Group has entered into a sale and purchase agreement with Madam Su (executive Director) to acquire the entire equity interest in Manureen Securities Limited. The principal activity of Manureen Securities Limited is the provision of securities broking services.

On 28 January 2015, the Company and Manureen Holdings entered into the subscription agreement pursuant to which Manureen Holdings has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 360 million shares at HK$1.4 per share.

The subscription has been approved by the independent shareholders on the special general meeting held on 30 March 2015. With the new capital of approximately HK$503 million to the Company, the Group has built up its war chest for future investment. In order to broaden the Group's business portfolio as well as its income stream and increase the shareholders' value, the Group has been actively exploring other investment opportunities. With the extensive experience of Mr. Lin Xiaohui and Madam Su, both executive Directors, in real estate investment, the Directors considers that the possible acquisition of the real estate projects would provide prime opportunities for the Group to achieve such goals.

For the purpose of sustaining long term growth, the Directors will keep on exploring all potential opportunities to develop its businesses.

Employment and Remuneration Policies

As at 31 December 2014, the Group had a total workforce of approximately 122, of whom approximately 25 were based in the PRC and the remaining were in Hong Kong.

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.

Share Option Scheme

The Group's share option scheme was adopted on 10 August 2012 and is effective for a period of ten years. As at 31 December 2014, no share options had been granted under the scheme.

Details of the Company's share option scheme are stated in note 30 to the financial statements of the annual report of the Company for the nine months ended 31 December 2014.

(ii) For the year ended 31 December 2015

Business Review

Recent Development

The principal activities of the Group during the year include the Commercial Printing Business, the Hangtag Business, the Motor Vehicle Parts Business, Financial Services Business, and Trading Business, and property investment.

As disclosed in the announcement of the Company dated 9 April 2015, the Group entered into an acquisition agreement to conditionally acquire the entire interest in Concept Star Corporation Limited ("**Concept Star**"), which hold the property of House No. 25, Villa Bel-air, Bel-air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong, at a cash consideration of HK$225 million. The acquisition was completed on 5 June 2015.

The board believed that the acquisition is a good investment opportunity and the Group would benefit from the potential capital appreciation of the property. The property is currently under renovation and recorded as investment properties in the consolidated statement of financial position and revalued by an independent valuer at HK$288 million as at 31 December 2015.

As disclosed in the announcement of the Company dated 18 April 2015, the Group intended to commence e-commerce business for motor vehicle parts, electronic products and computer components with a view to broadening the Group's business portfolio as well as income stream. During the year, the Group has set up a business-to-business (B2B) e-commerce platform for online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products suppliers and commenced trading of electronic products during the year. Once the e-commerce platform has been fully developed, the Group would conduct the trading business through the e-commerce platform. The Group is conducting feasibility studies on the cross-border e-commerce business between Shenzhen and Hong Kong.

In order to expand the e-commerce business for motor vehicle parts, the collaboration from the Realord Vehicle Parts Limited and additional funding for enhancement of the e-commerce platform are required. However, the business partner, International Treasure Holdings Limited, is not willing to provide additional funding for such enhancement. As announced on 29 May 2015, the Group entered into a sales and purchase agreement with International Treasure Holdings Limited and its sole shareholder, Mr. Zhan Jinnan, to acquire the 40% equity interest in Realord Vehicle Parts Limited, together with the shareholder loan, from International Treasure Holdings Limited at a cash consideration of HK$12,668,000. Upon completion of the transaction on 29 May 2015, Realord Vehicle Parts Limited became an indirect wholly-owned subsidiary of the Group. We believed that the acquisition of the 40% equity interest of Realord Vehicle Parts Limited would further consolidate the Group's control in Realord Vehicle Parts Limited and facilitates the collaboration between the e-commerce business and sale and distribution of motor vehicle parts, which would enhance the operating efficiency of the Group.

As disclosed in the announcement of the Company dated 8 May 2015, the Group has completed the acquisition of the entire equity interest in Realord Manureen Securities Limited (previously named as "Manureen Securities Limited") ("**Realord Manureen Securities**") which is engaged in provision of securities brokerage services. The Board believed that the acquisition of Realord Manureen Securities would allow the Group to participate in the securities brokerage industry and diversify from its existing businesses. After the acquisition, the Group has also commenced margin financing business as an additional type of financial service provided to customers which can further strengthen the market position of Realord Manureen Securities.

As disclosed in the announcement of the Company dated 23 September 2015, the Group entered into an agreement to acquire the entire interest in the properties situated at Zhangkengjing Community, Guanlan, Baoan District, Shenzhen, the PRC. The acquisition was completed during the year at a total cost of approximately HK$105.4 million. The properties are currently leased out to independent third parties and recorded as investment properties in the consolidated statement of financial position. The properties were revalued by an independent valuer at HK$121.9 million as at 31 December 2015.

As disclosed in the circular of the Company dated 16 October 2015, the Group has entered into an agreement to acquire the entire equity interest in Manureen Group Holdings Limited, of which its wholly-owned subsidiary, Qianhai Meilin Finance Leases (Shenzhen) Company Limited is licensed to conduct business in financial leasing and operating leasing and the key asset acquired is the properties located at units 309, 311 and 313, Huayangnian, Funian Square, Futian Free Trade Zone, Shenzhen, the PRC. The acquisition was completed in November 2015. Through this acquisition, the Board intended to develop the business of financial leasing in the PRC, which enjoy the PRC government's supportive policy towards the financial leasing industry, particularly in the Qianhai Bay Bonded Area. The aforesaid properties acquired are occupied as offices for the subsidiaries of the Company for their business operation in the PRC and recorded as property, plant and equipment in the consolidated statement of financial position.

General Review

The Group has changed its financial year-end date from 31 March to 31 December with effect from 2014. This is the first annual results announcement for the Group to cover the annual period of 1 January to 31 December, while the comparative amounts for the financial statements and the related notes cover a nine months period from 1 April 2014 to 31 December 2014 and therefore they are not entirely comparable. For meaningful comparison purpose, financial data for the last corresponding year (1 January 2014 to 31 December 2014) was provided in the "Five Year Financial Highlight" on page 3 of the annual report of the Company for the year ended 31 December 2015 as comparative figures. It should be noted that the financial data for the last corresponding year has not been reviewed nor audited by the auditors of the Company.

During the year under review, the Group recorded total revenue of approximately HK$202.0 million, which represented an increase of about 90.9% to that of the last corresponding year of approximately HK$105.8 million. The Group recorded a profit from continuing operations of approximately HK$32.6 million for the year as compared with a loss from continuing operation of HK$17.2 million for the last corresponding year.

The significant increase in Group's revenue was primarily due to the increase in revenue contributed by Motor Vehicle Parts Business and new source of revenue contributed by the new business segments including Financial Services Business and Trading Business during the year. During the year, the Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million as compared with HK$23.9 million in the last corresponding year, while the Financial Services Business and Trading Business contributed revenue of approximately HK$5.0 million and approximately HK$21.9 million, respectively.

The increase in profit from continuing operations was mainly due to the fair value gains on investment properties of approximately HK$90.1 million (2014: HK$20.4 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$14.5 million (2014: HK$9.6 million) as well as the increase in corporate expenses of approximately HK$14.9 million. The increase in corporate expenses was mainly due to increase in the staff costs, increase in rental expenses for the new head office in Hong Kong and the equity-settled share option expenses.

Business Operation

The Commercial Printing Business contributed revenue of approximately HK$68.2 million representing 33.8% of the Group's total revenue during the year. There is a slight increase in revenue by 3.2% to approximately HK$68.2 million as compared to that of the last corresponding year of approximately HK$66.1 million. The Commercial Printing Business recorded an operating profit of approximately HK$1.2 million as compared with operating loss of approximately HK$0.2 million for the last corresponding year.

The Hangtag Business contributed revenue of approximately HK$11.5 million representing 5.7% of the Group's total revenue during the year. The revenue from the Hangtag Business decreased by 27.2% as compared with the revenue of the last corresponding year of approximately HK$15.8 million. The decrease in revenue was mainly due to decrease in orders from customers. The customers of Hangtag Business mainly engaged in the garment manufacturing industries. The sales orders significantly decreased during the year as a result of decrease in demand of hangtags from our customers. In view of the deteriorating operating result, the Group provided an allowance of impairment loss of approximately HK$0.5 million during the year. Due to the significant decrease in sales orders, the Hangtag Business recorded an operating loss of HK$2.3 million for the year as compared with an operating profit of HK$1.3 million for last corresponding year.

The Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million representing 47.2% of the Group's total revenue during the year. The Motor Vehicle Parts Business commenced operations in October 2014 and recorded revenue of approximately HK$23.9 million in the last corresponding year. This business recorded operating profit of approximately HK$5.7 million for the year and HK$1.4 million for the last corresponding year.

The Group commenced the operations in the Financial Services Business subsequent to the completion of acquisition of Realord Manureen Securities in May 2015 which engaged in provision of securities brokerage and margin financing services in Hong Kong. The Group also acquired Qianhai Meilin Finance Leases (Shenzhen) Company Limited (through the acquisition of Manureen Group Holdings Limited as disclosed in the circular dated 16 October 2015) in November 2015 and planned to extend its financial service business to financial leasing in the PRC. The Financial Services Business generated revenue of approximately HK$5.0 million contributing approximately 2.5% of the Group's total revenue during the year. The Financial Services Business recorded an operating loss of HK$1.2 million for the year which was mainly due to the increase in operating costs including the office rental expenses, staff costs and compliance costs incurred during the business development stage.

During the year, the Group has set up a business-to-business (B2B) e-commerce platform for the online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products and consumer products suppliers and commenced trading of such products during the year. The Trading Business contributed revenue of approximately HK$21.9 million representing 10.8% of the Group's total revenue during the year. The Trading Business recorded an operating loss of HK$0.2 million during the year primarily due to the staff cost incurred for the e-commerce platform.

The Group has acquired several properties in Hong Kong and the PRC during the year. The investment properties of the Group generated rental income of approximately HK$5.7 million for the year. The investment properties of the Group were revalued by an independent valuer at 31 December 2015 and recorded a fair value gains of approximately HK$90.1 million with the related deferred taxation expenses of HK$14.5 million.

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net loss of HK$4.4 million during the year. As at 31 December 2015, the fair value of the financial assets amounted to approximately HK$14.6 million.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and pledged time deposits as at 31 December 2015 amounted to approximately HK$210.6 million (31 December 2014: HK$281.5 million), which were mainly denominated in HK$ and RMB (31 December 2014: HK$ and RMB).

On 1 April 2015, the Company had announced the completion of the subscription of 360,000,000 new ordinary shares of HK$0.10 each at subscription price of HK$1.40 per share by Manureen Holdings ("**2015 Subscription**"). As stated in the circular of the Company in relation to the 2015 Subscription dated 12 March 2015, the net proceeds of approximately HK$503 million would be applied to finance the potential real estate projects. Up to the date of publishing the annual report of the Company for the year ended 31 December 2015, the net proceeds has been fully used, approximately HK$225 million has been used for the acquisition of a property in Hong Kong as announced on 9 April 2015; approximately HK$10 million has been used for capital expenditure; approximately HK$88 million has been utilized for funding and development of the Group's Financial Services Business; and approximately HK$180 million has been used for the working capital of the Group.

Its gearing ratio as at 31 December 2015 was 21.9% (31 December 2014: 30.2%), based on the interest-bearing bank borrowings denominated in HK$ (31 December 2014: HK$) of approximately HK$186.8 million (31 December 2014: HK$100.0 million) and total equity of the Group of HK$854.4 million (31 December 2014: HK$331.5 million). The interest-bearing bank borrowings carried interest rate at HIBOR plus 1.4% to 1.5% per annum (31 December 2014: HIBOR plus 1.5% per annum) with maturity within 1 year (31 December 2014: within 1 year).

The directors consider that the Group's cash holding, liquid assets, future revenue and available banking facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange rate exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, United States dollars, Euro and Renminbi; while the Group had cash of approximately RMB110.0 million reserved for operating and treasury purpose as at 31 December 2015.

The Group is exposed to foreign exchange risk arising from exposure in the United States dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2015.

Financial Guarantees and Charges on Assets

As at 31 December 2015, corporate guarantees amounting to approximately HK$220.0 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on the pledged time deposits and a property owned by the Group with a total net book value of approximately of HK$102.8 million and HK$288.0 million respectively.

As at 31 December 2014, general banking facilities were granted to one of the wholly-owned subsidiaries of the Group, which were secured by legal charges on the pledged time deposit held by the Group of approximately HK$105.5 million.

Dividends

The Directors do not recommend the payment of final dividend (31 December 2014: Nil) for the year ended 31 December 2015. No interim dividend (31 December 2014: Nil) nor special dividend (31 December 2014: HK$0.5 per share) has been recommended for the year. Total dividend for the year is nil (31 December 2014: HK$0.5 per share).

Prospects

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the commercial printing business shall limit the Group to pass the inflating operating cost to customers. Due to the slowdown of economic growth, the operating environment of Hangtag Business is even more challenging and the Directors foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

The Group is in the process to set up the PRC operations of Motor Vehicle Parts Business in Guangzhou. The Directors expect that the PRC operations will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to the customers.

The e-commerce development in China is full of challenges and opportunities. The Group is in the process to develop the business-to-customer (B2C) e-commerce platform which involve the evaluation of the knit point between the e-commerce and traditional economy. The development is an ongoing process and through the strategic cooperation with Zhongxing Supply Chain Company Limited, the Directors believe that the cooperation will allow both parties to take advantage of each other's business platforms and procurement network, thereby enhancing customers' value by providing high quality products and services, highly efficient supply chain integrated services and lowering relevant costs to customers.

During the year, the Group started to develop the Financial Services Business, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services. The stock market was highly volatile in 2015 and was exceptionally challenging. The Board believe the upcoming launch of the Shenzhen-Hong Kong Stock Connect Scheme will stimulate the stock market. With the preferential government policies in Qianhai, the Board also expect there are huge of potential business opportunities for our development of financial leasing business in Qianhai.

In September 2015, the Group acquired the properties situated at Zhangkengjing Community, Guanlan, Baoan District (also known as Longhua New District), Shenzhen, which is a paramount of the Group to evolve the real estate development business. Looking forward, the Group will strike to explore for any potential real estate development or property investment opportunities.

For the purpose of sustaining long term growth, the Group will also keep on exploring all potential opportunity to develop its businesses.

Employment and Remuneration Policies

As at 31 December 2015, the Group had a total workforce of 119, of whom 96 were based in Hong Kong and 23 were based in the PRC.

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.

Share Option Schemes

The share option scheme (the "**Scheme**") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 31 to the financial statements of the annual report of the Company for the year ended 31 December 2015.

(iii) For the year ended 31 December 2016

Business Review

Recent Developments

The principal activities of the Group during the year under review included the Commercial Printing Business, Hangtag Business, Financial Services Business, and Trading Business, and property investment.

On 24 March 2016, the Group entered into an acquisition agreement to conditionally acquire the entire equity interest in Citibest Global Limited ("**Citibest**"), which holds the properties situated at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC, at a cash consideration of RMB238 million. The acquisition was completed on 24 June 2016.

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 ("**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 Security Company is pending for the approval of the China Securities Regulatory Commission and other relevant regulatory authorities in the PRC.

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 Top Eagle International Trading Limited, which 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*), which is principally engaged in the business of dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017.

On 24 October 2016, the Group and 深圳市夏浦光電技術有限公司 (Shenzhen Xiapu Photoelectricity Technology Co., Ltd*) ("**Shenzhen Xiapu**") entered into the memorandum of understanding, pursuant to which (i) the Group appointed 深圳市偉祿置業有限公司 (Shenzhen Realord Realty Limited*) ("**Realord Realty**"), a direct wholly-owned subsidiary of Shenzhen Xiapu and a qualified property developer in the PRC, to apply on its behalf for the change of use of land held by the Group with a total area of 7,141.33 square meters, which is situated at Zhangkengjing Community, Guanlan, Baoan district, Shenzhen, the PRC; and (ii) Shenzhen Xiapu intends to grant, and the Group intends to accept, an option to require the transfer and assignment by Shenzhen Xiapu of all of its rights and benefits under a joint development agreement dated 18 August 2016 entered into by Shenzhen Xiapu and 深圳市樟坑徑股份有限公司 (Shenzhen Zhangkengjing Joint Stock Company*). The aforesaid option shall be exercisable at the discretion of the Group at an exercise price of RMB15 million. The intention to grant of the option by Shenzhen Xiapu is subject to the entering into of the formal agreement. Up to the date of annual report, no formal agreement is entered between both parties.

General Review

During the year under review, as a result of the acquisition of the properties situated at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC as mentioned in the "Recent Development" section, the management had separately disclosed the property investment business due to the increase in both the value of property investments and the rental income received by the Group. For comparison purpose, figures for the last year were restated accordingly.

During the year under review, the Group recorded a total revenue of approximately HK$209.8 million, representing an increase of approximately 1.0% as compared to that of the last year of approximately HK$207.7 million (restated). The Group recorded a profit of approximately HK$80.1 million for the year as compared to a profit of HK$32.6 million for the last year.

The Group noted a slight increase in revenue of approximately 1.0% during the year under review. Revenue arising from the Financial Services Segment and the Property Investment Segment recorded a remarkable increase of approximately 119.0% and 198.2% to HK$10.9 million and HK$17.0 million respectively as compared to that of the last year. However, due to the deteriorating operating environment of the Hangtag Segment and thin margin of the Trading Segment, the revenue of the both segments decreased significantly of approximately 26.4% and 100% to approximately HK$8.5 million and nil respectively as compared to that of the last year. The increase in revenue arising from the Financial Services Segment and the Property Investment Segment was mostly offset by the decrease in revenue arising from the Hangtag Segment and the Trading Segment.

The increase in profit attributable to the equity holders was noted. The increase in profit was mainly due to the increase in revenue arising from the Property Investment Segment of approximately HK$11.3 million and the fair value gains on investment properties of approximately HK$270.5 million (2015: HK$90.1 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$125.1 million (2015: HK$14.5 million), the revaluation deficit on property, plant and equipment of approximately HK$17.3 million (2015: HK$2.1 million) as well as the increase in finance cost of approximately HK$18.2 million. The increase in finance cost was mainly due to the increase in interest-bearing borrowings during the year.

Business Operation

The Commercial Printing Business contributed a revenue of approximately HK$72.7 million, representing 34.7% of the Group's total revenue during the year. There was a slight increase in revenue by 6.6% to approximately HK$72.7 million as compared to that of the last year of approximately HK$68.2 million. However, due to the increase in the operation cost, the operating profit decreased to approximately HK$0.9 million as compared to the operating profit of approximately HK$1.2 million for the last year.

The Hangtag Business contributed a revenue of approximately HK$8.5 million, representing 4.0% of the Group's total revenue during the year. The revenue from the Hangtag Segment decreased by 26.4% as compared to the revenue of the last year of approximately HK$11.5 million. The decrease was mainly resulted from decrease in orders from customers, which were mainly from the garment industry. Through implementation of cost control measures, included outsourcing part of the manufacturing processes, the operating loss decreased to approximately HK$0.4 million for the year as compared to the operating loss of approximately HK$2.3 million for the last year.

The Motor Vehicle Parts Business contributed a revenue of approximately HK$100.6 million, representing 48.0% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a slight increase by 5.5% to approximately HK$100.6 million as compared to the revenue of the last year of approximately HK$95.4 million. However, due to the increase in administrative expenses for expansion of the operation, the operating profit decreased to approximately HK$5.0 million for the year as compared to approximately HK$5.7 million for the last year.

The Group commenced the operations in the Financial Services Business subsequent to the completion of acquisition of Realord Manureen Securities Limited in May 2015 which engaged in provision of securities brokerage and margin financing services in Hong Kong. The Group also acquired Qianhai Meilin Finance Leases (Shenzhen) Company Limited (through the acquisition of Manureen Group Holdings Limited as disclosed in the circular dated 16 October 2015) in November 2015 and planned to extend its financial service business to financial leasing in the PRC. The Financial Services Segment generated a revenue of approximately HK$10.9 million, representing 5.2% of the Group's total revenue during the year. The Financial Services Segment recorded an increase in revenue by 119.0%

to approximately HK$10.9 million as compared to approximately HK$5.0 million for the last year. Due to the increase in the revenue, the segment recorded an operating profit of approximately HK$2.4 million for the year as compared to operating loss of approximately HK$1.2 million for the last year.

As a result of the thin margin in the Trading Business, the Group did not generate any revenue from this business, while the revenue from the Trading Segment recorded approximately HK$21.9 million for the last year. Therefore, the Trading Segment noted an operating loss of approximately HK$0.4 million (2015: operating loss of HK$0.2 million) during the year.

The property investment business recorded a revenue of approximately HK$17.0 million during the year, representing 8.1% of the total revenue of the Group. The revenue from this business increased by 198.2% to approximately HK$17.0 million as compared to approximately HK$5.7 million (restated) in the last year. The increase was due to more rental income resulted from the acquisition of the properties located at Qiankeng Industrial Zone, which contributed additional revenue to the business during the year. Due to the fair value gains on investment properties recorded during period amounted to approximately HK$270.5 million (2015: HK$90.1 million), the profit from this business increased to approximately HK$282.4 million during the year as compared to the profit of approximately HK$90.6 million (restated) in the last year.

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net loss of approximately HK$1.0 million during the year. As at 31 December 2016, the fair value of the financial assets amounted to approximately HK$18.6 million.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances, restricted cash and pledged time deposits as at 31 December 2016 amounted to approximately HK$56.0 million (2015: HK$210.6 million) in aggregate.

Its gearing ratio as at 31 December 2016 was 54.8% (2015: 21.9%), based on the interest-bearing borrowings of approximately HK$491.9 million (2015: HK$186.8 million) and total equity of the Group of HK$898.1 million (2015: HK$854.4 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.

Exchange Rate Exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro and Renminbi; while the Group held cash of approximately RMB10.9 million reserved for operating and treasury purpose as at 31 December 2016.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2016.

Financial Guarantees and Charges on Assets

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

As at 31 December 2015, corporate guarantees amounting to approximately HK$220.0 million were given to bank by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on the pledged time deposit and a property owned by the Group with a total net book value of approximately HK$102.8 million and HK$288.0 million respectively.

Dividends

The Directors do not recommend the payment of interim and final dividend (2015: Nil) for the year ended 31 December 2016. Total dividend for the year is nil (2015: Nil).

Prospects

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the Commercial Printing Segment shall limit the Group to pass the inflating operating cost to customers. Due to the deteriorating operating environment of Hangtag Segment, we foresee that customers' demand of hangtags, labels, shirt paper boards and plastic bags would remain sluggish. The Group shall adopt a more conservative strategy by simplifying the operation process and reducing the operation scale.

The Group would extend the Motor Vehicle Parts Segment to the retail operation. The Group is in the process to set up retail shops in Hong Kong and the PRC in order to gain direct access to the consumer market. The Group expect that the PRC operation will effectively contribute to the expansion of this business segment. Besides, the Group is sourcing different brands of motor vehicle parts in order to broaden the variety of products offered to our customers.

During the year, the Group is in the process to develop the Financial Services Segment, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services. As mentioned in "Recent Development" section, the Group had entered into an agreement with 5 other independent third parties to set up a Securities Company to carry out securities businesses in the PRC. Through the Securities Company, the Group could tap into the securities business in the PRC, which was considered as a strictly regulated industry. The Directors believe the set-up of the Securities Company, when materialised, represents a valuable investment opportunity for the Group to expand its securities services business and to enable the Group to exchange its business network and relationship in the PRC, and hence to gain a foothold in the PRC market. With the launch of the Shenzhen-Hong Kong Stock Connect Scheme, the preferential government policies and the Securities Company to be established, the Directors believe the Group would sustain a long term growth in the Financial Services Segment.

In June 2016, the Group completed the acquisition of the properties located at Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC. The acquisition is considered as a good investment opportunity for the Group to invest in the PRC property market. Together with the properties situated at Zhangkengjing Community, Guanlan, Baoan district, Shenzhen, the PRC (i.e. the "**Zhangkengjing Land**") acquired in September 2015, they are considered as the paramount assets of the Group to evolve the real estate development business. The Group is in the process to study on the possibilities to change the land use of the Zhangkengjing Land to the use as office buildings and associated apartments and facilities. Looking forward, the Group will keep track with the economic and urban renewal development in the PRC and will strike to explore for any potential real estate development or property investment opportunities.

The Group will diversify its business into scrap materials industry upon the acquisition of Top Eagle International Trading Limited. In view of the government's plan to foster the development of the recycling industry, the Directors are optimistic about the prospects of the scrap materials industry and are of the view that it is an opportunity for the Group to further diversify the business scope of the Group.

Employment and Remuneration Policies

As at 31 December 2016, the Group had a total workforce of 133, of whom 105 were based in Hong Kong and 28 were based in the People's Republic of China.

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.

Share Option Schemes

The share option scheme (the "**Scheme**") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 31 to the financial statements.

(iv) For the six months end 30 June 2017

Business Review

Recent Development

The principal activities of the Group during the period under review included the Commercial Printing Business, Hangtag Business, Motor Vehicle Parts Business, Financial Services Business, Trading Business, property investment and Environmental Protection Business.

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 ("**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 Security Company is pending for the approval of the China Securities Regulatory Commission and other relevant regulatory authorities in the PRC.

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 Top Eagle International Trading Limited, which 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.

As disclosed in the announcement of the Company dated 8 June 2017, the Group and 梧州進口再生資源加工園區管理委員會 (Wuzhou Import Renewable Resources Processing Park Management Committee*) ("**Park Management Committee**") entered into the investment agreement pursuant to which the Group will design, develop and build a processing plant for the recycling and production of aluminium ingots on the site in the 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*) located in Wuzhou City, Guangxi Province, the PRC. The target annual production capacity of the project will reach 100,000 tonnes to be ramped up in two phases. The total investment amount as indicated in the investment agreement for the project is approximately RMB350 million (equivalent to approximately HK$401.80 million), including all cost but not limited to acquisitions of the site, construction of the processing plant and office premises, plant and machinery acquisitions.

General Review

During the period under review, as a result of the completion of the acquisition of Tong Bao as mentioned in the "Recent Development" section, the management had separately disclosed the Environmental Protection Segment due to the new operation and also increase in trading income received by the Group.

For the period under review, the Group recorded a turnover of approximately HK$216.2 million for the six months ended 30 June 2017, representing a significant increase by 133.0% compared with the turnover of approximately HK$92.8 million recorded for the six months ended 30 June 2016. Gross profit margin of the Group decreased from approximately 44.9% for the six months ended 30 June 2016 to approximately 24.2% for the period under review. The Group's results increased from profit of approximately HK$81.7 million for the six months ended 30 June 2016 to profit of approximately of HK$87.1 million for the period under review.

The increase in the turnover of the Group was primarily due to the Group consolidating the operating performance attributable to the Environmental Protection Segment, amounted to approximately HK$141.9 million since the acquisition of Realord Environmental Protection. The overall decrease in the gross margin was due to the low gross profit margin achieved by Environmental Protection Segment, which contributed the majority part of the turnover of the Group. The increase in profit attributable to the equity holders was mainly due to the fair value gain on investment properties amounted to approximately HK$144.1 million, but partly offset by the related deferred taxation of the fair value gain of approximately HK$41.6 million and also the increase in corporate expenses.

Business Operation

The Commercial Printing Segment recorded a revenue of approximately HK$38.9 million during the period under review, representing 18.0% of the total revenue of the Group. There was a slight increase in segment revenue of 1.2% to approximately HK$38.9 million as compared to approximately HK$38.4 million in the last corresponding period. However, the inflating operating cost resulted in similar level of operating profit of approximately HK$0.4 million for the period under review and the last corresponding period.

The Hangtag Segment recorded a revenue of approximately HK$1.6 million during the period under review, representing 0.7% of the total revenue of the Group. The segment revenue decreased significantly of 66.3% from the last corresponding period of approximately HK$4.8 million to approximately HK$1.6 million for the period under review. Through implementation of continuing cost control measures, including outsourcing part of manufacturing processes, the loss from this segment remained at a low level of HK$0.1 million during the period under review comparing to approximately HK$0.4 million in the last corresponding period.

The Motor Vehicle Parts Segment recorded a revenue of approximately HK$19.3 million during the period under review, representing 9.0% of the total revenue of the Group. With a view of tightening the credit control policy and shortening of credit period granted to the customers, the segment revenue noted a significant decrease by 50.2% to approximately HK$19.3 million as compared to approximately HK$38.8 million in the last corresponding period. The segment recorded a profit of approximately HK$0.1 million during the period under review as compared to a profit of approximately HK$1.7 million in the last corresponding period.

The Financial Services Segment recorded a revenue of approximately HK$5.4 million during the period under review, representing 2.5% of the total revenue of the Group. The revenue from this segment remained stable as compared from approximately HK$5.3 million in the last corresponding period to approximately HK$5.4 million during the period under review. The segment results increased from profit of approximately HK$1.1 million in the last corresponding period to profit of approximately HK$1.9 million during the period under review.

The newly acquired Environment Protection Segment recorded a revenue of approximately HK$141.9 million during the period under review, representing 65.6% of total revenue of the Group. The segment result was profit of approximately HK$8.0 million during the period under review.

As a result of the thin margin in Trading Segment, the Group did not generate any revenue from the segment, in both periods. Instead, the Group was in the progress to source some products with better margin and returns. The loss from this segment decreased from approximately HK$0.4 million in the last corresponding period to approximately HK$0.1 million during the period under review.

The Property Investment Segment recorded a revenue of approximately HK$9.1 million during the period under review, representing 4.2% of the total revenue of the Group. The revenue from this segment recorded approximately HK$9.1 million as compared to approximately HK$5.5 million in the last corresponding period. The profit from this segment decreased from approximately HK$179.1 million in the last corresponding period to approximately HK$150.8 million during the period under review. The decrease was mainly due to the fair value gain on investment properties being recorded during the period under review amounted to approximately HK$144.1 million was less than that in the last corresponding period.

The Group has invested in listed securities in Hong Kong for investment purpose. The financial assets of the Group recorded a total gain of HK$11.9 million for the period under review. As at 30 June 2017, the fair value of the financial assets amounted to approximately HK$25.6 million.

Financial Review

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow, cash reserve and banking facilities and facility provided by the ultimate holding company. During the period under review, the Group was financially sound with healthy cash position. The Group's cash and bank balances and restricted bank balance amounted to approximately HK$86.6 million as at 30 June 2017 (31 December 2016: HK$56.0 million). Its gearing ratio as at 30 June 2017 was 57.7% (31 December 2016: 54.8%), based on the interest-bearing borrowings of approximately HK$592.5 million (31 December 2016: HK$491.9 million) and the total equity of approximately HK$1,027.3 million (31 December 2016: HK$898.1 million).

The Board believes that the Group's cash holding, liquid assets, future revenue and available banking facilities and the facility provided by the ultimate holding company will be sufficient to meet the present working capital requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro and Renminbi. For the six months ended 30 June 2017, the Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopted financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 30 June 2017.

Financial guarantees and charges on assets

As at 30 June 2017, corporate guarantees amounting to approximately HK$291.5 million (31 December 2016: HK$291.5 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$195.8 million (31 December 2016: Nil) was given to a bank in the PRC by the Company for the provision of general banking facilities granted to a company jointly owned by Dr. Lin and Madam Su. Besides, the general banking facilities granted to the subsidiaries of the Company and the company controlled by its controlling shareholders were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$469.9 million (31 December 2016: HK$442.1 million) and approximately HK$280.5 million (31 December 2016: Nil).

Litigation

During the period under review, Citibest and Guan Zhang, subsidiaries of the Group, are currently defendants in a lawsuit brought by a third party, 深圳市沪田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited), alleging that Citibest and Guan Zhang are liable to settle outstanding payment of approximately RMB25 million and interest accrued thereon. As the litigation is awaiting for trial by the court in the PRC, the directors have not provided for any claim arising from the litigation, other than the related legal and other costs.

Contingent Liabilities

Saved as disclosed in the "Litigation" section, the Group had no contingent liabilities.

Prospects

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the Commercial Printing Segment shall limit the Group to pass the inflating operating cost to customers. Due to the continuous increase in production cost in the PRC, some of the customers shifted its demand to other developing countries in Asia-Pacific region, the operating environment of Hangtag Segment is even more challenging and we foresee that customers' demand of hangtags, labels, shirt paper boards and plastic bags would keep on diminishing.

The Group is in the process to set up the PRC operations of Motor Vehicle Parts Segment in Guangzhou. We expect that the PRC operations will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to our customers.

The e-commerce development in China is full of challenges and opportunities. The Group is in the process to develop the business-to-customer (B2C) e-commerce platform which involve the evaluation of the knit point between the e-commerce and traditional economy.

The Group is in the process to develop the Financial Services Business, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services.

The Group had entered into an agreement with 5 other independent third parties to set up the Security Company to carry out securities businesses in the PRC. Through the Security Company, the Group could tap into the securities business in the PRC, which was considered as a strictly regulated industry. We believe the set-up of the Security Company, when materialised, represents a valuable investment opportunity for the Group to expand its securities services business and to enable the Group to exchange its business network and relationship in the PRC, and hence to gain a foothold in the PRC market.

The stock market was volatile in 2017 and was exceptionally challenging to us. With the launch of the Shenzhen-Hong Kong Stock Connect Scheme, the preferential government policies and the establishment of the Security Company, we believe the Group would sustain a long term growth in the Financial Services Business.

On 28 February 2017, the Group completed the acquisition of 60% equity interest of Realord Environmental Protection Industrial Company Limited (formerly known as Top Eagle International Trading Limited), which can diversify the business of the Group with the objective of broadening its sources of income. The Directors are optimistic about the prospects of the environmental protection industry and are of the view that it is an opportunity for the Group to further diversify the business scope of the Group through the acquisition.

Looking forward, the Group will strike to explore for any potential real estate development or property investment opportunities. For the purpose of sustaining long term growth, we will also keep on exploring all potential opportunity to develop its businesses.

Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2017 (2016: Nil).

3. STATEMENT OF INDEBTEDNESS

As of the close of business on 31 January 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$5,735,335,000, which comprised of the followings:

	The Group	**Target Group**	**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*
Bank loans	311,230	689,007	1,000,237
Bonds	–	1,613,892	1,613,892
Other borrowing	2,048,401	–	2,048,401
Loans from the ultimate holding company	382,248	–	382,248
Loans from directors of subsidiaries of the Group	38,898	–	38,898
Loans from the Vendors of Target Group	–	566,132	566,132
Loan from a company controlled by the Vendors	–	85,527	85,527
	2,780,777	2,954,558	5,735,335

As at 31 January 2018, the loans from the ultimate holding company, loans from directors of subsidiaries of the Group, loans from the Vendors of the Target Group and loan from a company controlled by the Vendors of the Target Group were unsecured and unguaranteed.

As at 31 January 2018, certain bank loans of the Enlarged Group were guaranteed and secured by the properties and equity interest of subsidiaries of the Enlarged Group. The securities and guarantees of the bank loans of the Enlarged Group were summarised as follows:

	The Group	**Target Group**	**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*
Secured and guaranteed	283,918	689,007	972,925
Secured and unguaranteed	27,312	–	27,312
	311,230	689,007	1,000,237

As of the close of business on 31 January 2018, the bonds and the other borrowing were guaranteed and secured by certain properties and also the equity interest of certain subsidiaries of the Enlarged Group.

As of the close of business on 31 January 2018, indirect wholly-owned subsidiaries of the Group received civil writs from 深圳市滙田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited*) for claiming allegedly an aggregate sum of approximately RMB26,447,000, being the outstanding payments and other interest and fees. The Directors considered the possibility of any cash outflow in settling the legal claims is remote after due consideration of the facts with reference to legal advice.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at the close of business on 31 January 2018, any loan capital, issued and outstanding or agreed to be issued, bank overdrafts, loans, charges, debentures or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

After taking into account the effect of the Acquisition and the successful arrangement of the related funding requirement, the financial resources available to the Enlarged Group, the internally generated funds, existing cash and bank balances, available banking facilities, successful renewal of its borrowings upon expiry, the existing credit facility and also the financial support provided by Manureen Holdings Limited, ultimate holding company of the Company, for the working capital needs of the Enlarged Group, the Directors, after due and careful enquiry, are of the opinion that the Enlarge Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. ACCOUNTANTS' REPORT

The following is the text of a report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the independent reporting accountants, in respect of the historical financial information of Realord Ventures Limited for each of the three years ended 31 December 2017 as set out in this appendix and prepared for the sole purpose of inclusion in this circular. Terms defined herein apply to this report only.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF REALORD VENTURES LIMITED TO THE DIRECTORS OF REALORD GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Realord Ventures Limited ("**Realord Ventures**") set out on pages II-4 to II-11, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of Realord Ventures**"). The Historical Financial Information of Realord Ventures set out on pages II-4 to II-11 forms an integral part of this report, which has been prepared for inclusion in the circular of the Realord Group Holdings Limited (the "**Company**") dated 23 March 2018 (the "**Circular**") in connection with the Company's proposed acquisition of the entire 100% equity interest in Realord Ventures.

Director's responsibility for the Historical Financial Information of Realord Ventures

The sole director of Realord Ventures is responsible for the preparation of Historical Financial Information of Realord Ventures that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Ventures, and for such internal control as the sole director of Realord Ventures determines is necessary to enable the preparation of Historical Financial Information of Realord Ventures that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of Realord Ventures is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Realord Ventures and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Realord Ventures is free from material misstatement.

Reporting accountants' responsibility – continued

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Realord Ventures. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Realord Ventures, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of Realord Ventures that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Ventures in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Realord Ventures, as well as evaluating the overall presentation of the Historical Financial Information of Realord Ventures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the Historical Financial Information of Realord Ventures gives, for the purposes of the accountants' report, a true and fair view of Realord Ventures' financial position as at 31 December 2015, 2016 and 2017 in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Ventures.

Basis for Qualified Opinion

As explained in Notes 4 and 9 to the Historical Financial Information of Realord Ventures, Realord Ventures carries its interest in a joint venture at cost less any identified impairment loss. The carrying value of Realord Ventures' interest in the joint venture as at 31 December 2015, 2016 and 2017 was HK$6,000. This is not in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures", which requires Realord Ventures to account for its interest in the joint venture using the equity method. Realord Ventures' records indicate that, had Realord Ventures accounted for its interest in the joint venture using the equity method, its interest in the joint venture should be adjusted to recognise its share of the profit and other comprehensive income of the joint venture by HK$2,314,000 for the year ended 31 December 2015, its share of the loss and other comprehensive expense of the joint venture by HK$7,627,000 for the year ended 31 December 2016, and its share of the loss and other comprehensive expense of the joint venture by HK$7,749,000 for the year ended 31 December 2017. Accordingly, its share of the profit and other comprehensive income and total equity of the joint venture would have been increased by HK$2,314,000 and HK$31,396,000 respectively for the year ended 31 December 2015, its share of the loss and other comprehensive expense and total equity of the joint venture would have been increased by HK$7,627,000 and HK$23,769,000 for the year ended 31 December 2016 respectively, and its share of the loss and other comprehensive expense and total equity of the joint venture would have been increased by HK$7,749,000 and HK$16,020,000 for the year ended 31 December 2017 respectively.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information of Realord Ventures, no adjustments to the Underlying Financial Statements of Realord Ventures as defined on page II-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information of Realord Ventures which states that no dividends have been declared or paid by Realord Ventures in respect of each of the three years ended 31 December 2015, 2016 and 2017 (the "**Relevant Periods**").

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2018

HISTORICAL FINANCIAL INFORMATION OF REALORD VENTURES

Preparation of Historical Financial Information of Realord Ventures

Set out below is the Historical Financial Information of Realord Ventures which forms an integral part of this accountants' report.

The Historical Financial Information of Realord Ventures in this report is prepared based on the financial statements of Realord Ventures for the Relevant Periods which have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements of Realord Ventures**") except that Realord Ventures fails to account for its interest in a joint venture using the equity method in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" ("**HKAS 28**"). These Underlying Financial Statements of Realord Ventures were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Realord Ventures is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Interest in a joint venture	9	6	6	6
Current asset				
Amount due from a director	6	2	2	2
Total assets		8	8	8
Equity				
Share capital	7	8	8	8

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF REALORD VENTURES

1. GENERAL

Realord Ventures was incorporated on 1 August 2014 with limited liability in the British Virgin Islands (the "**BVI**"). Its sole shareholder and director is Dr. Lin Xiaohui. The address of the registered office of Realord Ventures is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

Realord Ventures acts as an investment holding company.

The functional currency of Realord Ventures is Renminbi, while the Historical Financial Information of Realord Ventures is presented in HK$.

No statements of profit or loss, statements of changes in equity nor statements of cash flows are presented as Realord Ventures has no profit or loss and other comprehensive income, equity movement nor cash transaction during the Relevant Periods.

No statutory financial statements of Realord Ventures have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION OF REALORD VENTURES

The Historical Financial Information of Realord Ventures has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA, except that Realord Ventures fails to account for its interest in a joint venture using the equity method in accordance with HKAS 28.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information of Realord Ventures for the Relevant Periods, Realord Ventures has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and revised to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

The sole director of Realord Ventures anticipated that the application of the new and revised HKFRSs in issue but not yet effective will have no material impact on the Realord Ventures' financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information of Realord Ventures has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA except that Realord Ventures has not accounted for its interest in a joint venture using the equity method in accordance with HKAS 28. In addition, the Historical Financial Information of Realord Ventures include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information of Realord Ventures has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Realord Ventures takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information of Realord Ventures is determined on such a basis except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Interest in a joint venture

Interest in a joint venture is included in Realord Ventures' statement of financial position at cost, less any identified impairment loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Realord Ventures' investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Realord Ventures becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (representing amount due from a director) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Realord Ventures derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of Realord Ventures after deducting all of its liabilities. Equity instrument issued by Realord Ventures is recognised at the proceeds received, net of direct issue costs.

5. **EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

6. **AMOUNT DUE FROM A DIRECTOR**

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

7. **SHARE CAPITAL**

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of US$1 each		
Authorised capital		
At 1 January 2015, 31 December 2015, 2016 and 2017	50	389
Issued and fully paid		
At 1 January 2015, 31 December 2015, 2016 and 2017	1	8

8. **DIVIDENDS**

No dividend was declared or paid by Realord Ventures during the Relevant Periods.

9. **INTEREST IN A JOINT VENTURE**

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	6	6	6

During the Relevant Periods and as at the date of this report, details of Realord Venture's joint venture are as follow:

			Attributable equity interest held by Realord Ventures				
	Place of	**Registered**	**As at 31 December**			**As at the date**	
Name of joint venture	**Incorporation**	**capital**	**2015**	**2016**	**2017**	**of this report**	**Principal activity**
Realord Investment Limited ("**Realord Investment**")	The BVI	HK$7,800	70% *(note i)*	70%	70%	70%	Investment holding *(note ii)*

note:

(i) According to the shareholders agreement signed between Realord Ventures and Manureen Ventures Limited ("**Manureen Ventures**"), the other shareholder of Realord Investment, all operating and financing decisions of Realord Investment require unanimous consent and approval from both the sole shareholder and director of Realord Ventures and Manureen Ventures.

(ii) The principal activities of the subsidiaries of Realord Investment are properties construction and trading of electronic components.

Summarised consolidated historical financial information of material joint venture

Summarised consolidated historical financial information in respect of Realord Investment and its subsidiaries (the "Realord Investment Group") is set out below. The summarised historical consolidated financial information below is in accordance with HKFRSs.

Realord Investment Group

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	3,333,778	2,741,438	2,964,047
Non-current assets	66,783	78,127	15,869
Current liabilities	(3,023,421)	(2,113,338)	(1,391,609)
Non-current liabilities	(333,281)	(672,264)	(1,565,414)
The above amounts of assets and liabilities include the followings:			
Cash and cash equivalents	128,465	64,678	47,225
Current financial liabilities (excluding trade and other payables and provisions)	(1,301,298)	(1,101,137)	(1,320,202)
Non-current financial liabilities (excluding trade and other payables and provisions)	(332,281)	(672,264)	(1,565,414)

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	442,775	378,727	–
Profit (loss) and other comprehensive income (expense) for the year	3,306	(10,896)	(11,070)
The above profit (loss) and other comprehensive income (expense) for the year is arrived at after (charging) crediting:			
Depreciation and amortisation	(3,269)	(1,275)	(868)
Interest income	14,742	1,506	2,076
Interest expense	(2,416)	(11,680)	(10,769)
Income tax expense	(1,662)	(85)	–

Realord Ventures carries its interest in a joint venture at cost less any identified impairment loss. The carrying value of Realord Ventures' interest in a joint venture as at 31 December 2015, 2016 and 2017 was HK$6,000. This is not in accordance with HKAS 28, which requires Realord Ventures to account for its interest in a joint venture using the equity method. The sole director of Realord Ventures considers that as the consolidated historical financial information of Realord Investment Group is presented in this note and Appendix IV to the Circular, the application of equity accounting to its interest in a joint venture is redundant for the purpose of this report and would incur expenses out of proportion to the value of the sole shareholder of Realord Ventures.

10. EVENT AFTER REPORTING PERIOD

No significant event took place after the Relevant Periods.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Realord Ventures have been prepared subsequent to 31 December 2017.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON REALORD VENTURES

Set out below is the management discussion and analysis of Realord Ventures for the Track Record Period.

Business review

Realord Ventures is a company incorporated in BVI with limited liability on 1 August 2014. It is an investment holding company with issued share capital of HK$8,000. It has not carried out any business activity during the Track Record Period save for its investment in Realord Investment, accordingly, it did not generate any revenue and incur any expense for the Track Record Period. The audited net assets of Realord Ventures amounted to HK$8,000 as at 31 December 2015, 2016 and 2017.

Liquidity and financial resources

During the Track Record Period, Realord Ventures did not have any cash and cash equivalents. Realord Ventures had no borrowings or committed borrowing facilities as at 31 December 2015, 2016 and 2017 and the gearing ratio during the Track Record Period was therefore zero.

Charge of assets

As at 31 December 2015, 2016 and 2017, Realord Ventures did not pledge any of its assets.

Foreign exchange rate risk

All the assets and liabilities of Realord Ventures were denominated in RMB and presented in HK$ in its financial statements. During the Track Record Period, Realord Ventures did not have any foreign exchange hedging policies and did not use any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

Save as the investment cost of HK$6,000 in Realord Investment, Realord Ventures did not have any significant investments, material acquisitions or disposals during the Track Record Period.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, Realord Ventures did not have any material contingent liabilities.

Employment

During the Track Record Period, Realord Ventures did not have any employees.

Future plan

There was no specific plan of Realord Ventures for material investments and acquisition of material capital assets as at 31 December 2015, 2016 and 2017 respectively.

1. ACCOUNTANTS' REPORT

The following is the text of a report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the independent reporting accountants, in respect of the historical financial information of Manureen Ventures Limited for each of the three years ended 31 December 2017 as set out in this appendix and prepared for the sole purpose of inclusion in this circular. Terms defined herein apply to this report only.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF MANUREEN VENTURES LIMITED TO THE DIRECTORS OF REALORD GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Manureen Ventures Limited ("**Manureen Ventures**") set out on pages III-4 to III-11, which comprises the statements of financial position as at 31 December 2015, 2016 and 2017, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of Manureen Ventures**"). The Historical Financial Information of Manureen Ventures set out on pages III-4 to III-11 forms an integral part of this report, which has been prepared for inclusion in the circular of the Realord Group Holdings Limited (the "**Company**") dated 23 March 2018 (the "**Circular**") in connection with the Company's proposed acquisition of the entire 100% equity interest in Manureen Ventures.

Director's responsibility for the Historical Financial Information of Manureen Ventures

The sole director of Manureen Ventures is responsible for the preparation of Historical Financial Information of Manureen Ventures that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Manureen Ventures, and for such internal control as the sole director of Manureen Ventures determines is necessary to enable the preparation of Historical Financial Information of Manureen Ventures that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of Manureen Ventures is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Manureen Ventures and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Manureen Ventures is free from material misstatement.

Reporting accountants' responsibility – continued

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Manureen Ventures. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Manureen Ventures, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of Manureen Ventures that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Manureen Ventures in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of Manureen Ventures, as well as evaluating the overall presentation of the Historical Financial Information of Manureen Ventures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of the our report, the Historical Financial Information of Manureen Ventures gives, for the purposes of the accountants' report, a true and fair view of Manureen Ventures' financial position as at 31 December 2015, 2016 and 2017 in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Manureen Ventures.

Basis for Qualified Opinion

As explained in Notes 4 and 9 to the Historical Financial Information of Manureen Ventures, Manureen Ventures carries its interest in a joint venture at cost less any identified impairment loss. The carrying value of Manureen Ventures' interest in the joint venture as at 31 December 2015, 2016 and 2017 was HK$2,000. This is not in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures", which requires Manureen Ventures to account for its interest in the joint venture using the equity method. Manureen Ventures' records indicate that, had Manureen Ventures accounted for its interest in the joint venture using the equity method, its interest in the joint venture should be adjusted to recognise its share of the profit and other comprehensive income of the joint venture by HK$992,000 for the year ended 31 December 2015, its share of the loss and other comprehensive expense of the joint venture by HK$3,269,000 for the year ended 31 December 2016, and its share of loss and other comprehensive expenses of the joint venture by HK$3,321,000 for the year ended 31 December 2017. Accordingly, its share of the profit and other comprehensive income and total equity of the joint venture would have been increased by HK$992,000 and HK$13,455,000 respectively for the year ended 31 December 2015, its share of the loss and other comprehensive expense and total equity of the joint venture would have been decreased by HK$3,269,000 and HK$10,186,000 respectively for the year ended 31 December 2016, and its share of the loss and other comprehensive expense and total equity of the joint venture would have been increased by HK$3,321,000 and HK$6,865,000 respectively for the year ended 31 December 2017.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information of Manureen Ventures, no adjustments to the Underlying Financial Statements of Manureen Ventures as defined on page III-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information of Manureen Ventures which states that no dividends have been declared or paid by Manureen Ventures in respect of each of the three years ended 31 December 2015, 2016 and 2017 (the "**Relevant Periods**").

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2018

HISTORICAL FINANCIAL INFORMATION OF MANUREEN VENTURES

Preparation of Historical Financial Information of Manureen Ventures

Set out below is the Historical Financial Information of Manureen Ventures which forms an integral part of this accountants' report.

The Historical Financial Information of Manureen Ventures in this report is prepared based on the financial statements of Manureen Ventures for the Relevant Periods which have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "**Underlying Financial Statements of Manureen Ventures**") except that Manureen Ventures fails to account for its interest in a joint venture using the equity method in accordance with Hong Kong Accounting Standard 28 (2011) "Investments in Associates and Joint Ventures" ("**HKAS 28**"). These Underlying Financial Statements of Manureen Ventures were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Manureen Ventures is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Interest in a joint venture	9	2	2	2
Current asset				
Amount due from a director	6	6	6	6
Total assets		8	8	8
Equity				
Share capital	7	8	8	8

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Manureen Ventures was incorporated on 1 August 2014 with limited liability in the British Virgin Islands (the "**BVI**"). Its sole shareholder and director is Madam Su Jiaohua. The address of the registered office of Manureen Ventures is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

Manureen Ventures acts as an investment holding company.

The functional currency of Manureen Ventures is Renminbi, while the Historical Financial Information of Manureen Ventures is presented in HK$.

No statements of profit or loss, statements of changes in equity nor statements of cash flows are presented as Manureen Ventures has no profit or loss and other comprehensive income, equity movement nor cash transaction during the Relevant Periods.

No statutory financial statements of Manureen Ventures have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION OF MANUREEN VENTURES

The Historical Financial Information of Manureen Ventures has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA, expect that Manureen Ventures fails to account for its interest in a joint venture using the equity method in accordance with HKAS 28.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information of Manureen Ventures for the Relevant Periods, Manureen Ventures has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and revised to HKFRSs that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

The sole director of Manureen Vemtures anticipated that the application of the new and revised HKFRSs in issue but not yet effective will have no material impact on the Manureen Ventures' financial statements in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information of Manureen Ventures has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA, except that Manureen Ventures has not accounted for its interest in a joint venture using the equity method in accordance with HKAS 28. In addition, the Historical Financial Information of Manureen Ventures include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information of Manureen Ventures has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Manureen Ventures takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information of Manureen Ventures is determined on such a basis except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Interest in a joint venture

Interest in a joint venture is included in Manureen Ventures' statement of financial position at cost, less any identified impairment loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Manwreen Ventures' investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when Manureen Ventures becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (representing amount due from a director) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition

Manureen Ventures derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Manureen Ventures after deducting all of its liabilities. Equity instrument issued by the Company is recognised at the proceeds received, net of direct issue costs.

5. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

6. AMOUNT DUE FROM A DIRECTOR

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

7. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of US$1		
Authorised capital		
At 1 January 2015, 31 December 2015, 2016 and 2017	50	390
Issued and fully paid		
At 1 January 2015, 31 December 2015, 2016 and 2017	1	8

8. DIVIDENDS

No dividend was declared or paid by Manureen Ventures during the Relevant Periods.

9. INTEREST IN A JOINT VENTURE

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	2	2	2

During the Relevant Periods and as at the date of this report, details of Manureen Ventures' interest in a joint venture are as follow:

			Attributable equity interest held by Manureen Ventures				
			As at 31 December				
Name of joint venture	Place of Incorporation	Registered capital	2015	2016	2017	As at the date of report	Principal activity
Realord Investment Limited ("**Realord Investment**")	The BVI	HK$7,800	30% *(note i)*	30%	30%	30%	Investment holding *(note ii)*

notes:

(i) According to the shareholders agreement signed between Manureen Ventures and Realord Ventures Limited ("**Realord Ventures**"), the other shareholder of Realord Investment, all operating and financing decisions of Realord Investment require unanimous consent and approval from both the sole shareholder and director of Manureen Ventures and Realord Ventures.

(ii) The principal activities of the subsidiaries of Realord Investment are properties construction and trading of electronic components.

Summarised consolidated historical financial information of material joint venture

Summarised consolidated historical financial information in respect of Realord Investment and its subsidiaries (the "Realord Investment Group") is set out below. The summarised historical consolidated financial information below is in accordance with HKFRSs.

Realord Investment Group

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	3,333,778	2,741,438	2,964,047
Non-current assets	66,783	78,127	15,869
Current liabilities	(3,023,421)	(2,113,338)	(1,391,609)
Non-current liabilities	(333,281)	(672,264)	(1,565,414)
The above amounts of assets and liabilities include the followings:			
Cash and cash equivalents	128,465	64,678	47,225
Current financial liabilities (excluding trade and other payables and provisions)	(1,301,298)	(1,101,137)	(1,320,202)
Non-current financial liabilities (excluding trade and other payables and provisions)	(332,281)	(672,264)	(1,565,414)

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	442,775	378,727	–
Profit (loss) and other comprehensive income (expense) for the year	3,306	(10,896)	(11,070)
The above profit (loss) and other comprehensive income (expense) for the year is arrived at after (charging) crediting:			
Depreciation and amortisation	(3,269)	(1,275)	(868)
Interest income	14,742	1,506	2,076
Interest expense	(2,416)	(11,680)	(10,769)
Income tax expense	(1,662)	(85)	–

Manureen Ventures carries its interest in a joint venture at cost less any identified impairment loss. The carrying value of Manureen Ventures' interest in a joint venture as at 31 December 2015, 2016 and 2017 was HK$2,000. This is not in accordance with HKAS 28, which requires Manureen Ventures to account for its interest in a joint venture using the equity method. The sole director of Manureen Ventures considers that as the consolidated historical financial information of Realord Investment Group is presented in this note and Appendix IV to the Circular, the application of equity accounting to its interest in a joint venture is redundant for the purpose of this report and would incur expenses out of proportion to the value of the sole shareholder of Manureen Ventures.

10. EVENT AFTER REPORTING PERIOD

No significant event took place after the Relevant Periods.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Manureen Ventures have been prepared subsequent to 31 December 2017.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON MANUREEN VENTURES

Set out below is the management discussion and analysis of Manureen Ventures for the Track Record Period.

Business review

Manureen Ventures is a company incorporated in the BVI with limited liability on 1 August 2014. It is an investment holding company with issued share capital of HK$8,000. It has not carried out any business activity during the Track Record Period save for its investment in Realord Investment, accordingly, it did not generate any revenue and incur any expense for the Track Record Period. The audited net assets of Manureen Ventures amounted to HK$8,000 as at 31 December 2015, 2016 and 2017.

Liquidity and financial resources

During the Track Record Period, Manureen Ventures did not have any cash and cash equivalents. Manureen Ventures had no borrowings or committed borrowing facilities as at 31 December 2015, 2016 and 2017 and the gearing ratio during the Track Record Period was therefore zero.

Charge of assets

As at 31 December 2015, 2016 and 2017, Manureen Ventures did not pledge any of its assets.

Foreign exchange rate risk

All the assets and liabilities of Manureen Ventures were denominated in RMB and presented in HK$ in its financial statements. During the Track Record Period, Manureen Ventures did not have any foreign exchange hedging policies and did not use any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

Save as the investment cost of HK$2,000 in Realord Investment, Manureen Ventures did not have any significant investments, material acquisitions or disposals during the Track Record Period.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, Manureen Ventures did not have any material contingent liabilities.

Employment

During the Track Record Period, Manureen Ventures did not have any employees.

Future plan

There was no specific plan of Manureen Ventures for material investments and acquisition of material capital assets as at 31 December 2015, 2016 and 2017 respectively.

1. ACCOUNTANTS' REPORT

The following is the text of a report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the independent reporting accountants, in respect of the historical financial information of Realord Investment for each of the three years ended 31 December 2017 as set out in this appendix and prepared for the sole purpose of inclusion in this circular. Terms defined herein apply to this report only.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF REALORD GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Realord Investment Limited ("**Realord Investment**") and its subsidiaries (together, the "**Realord Investment Group**") set out on pages IV-4 to IV-48, which comprises the consolidated statements of financial position of Realord Investment Group as at 31 December 2015, 2016 and 2017, the statements of financial position of Realord Investment as at 31 December 2015, 2016 and 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2015, 2016 and 2017 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of Realord Investment Group**"). The Historical Financial Information of Realord Investment Group set out on pages IV-4 to IV-48 forms an integral part of this report, which has been prepared for inclusion in the circular of the Realord Group Holdings Limited (the "**Company**") dated 23 March 2018 (the "**Circular**") in connection with the Company's proposed acquisition of the entire 100% equity interests in Realord Ventures Limited ("**Realord Ventures**") and Manureen Ventures Limited ("**Manureen Ventures**"), which collectively own the entire 100% equity interest in Realord Investment.

Directors' responsibility for the Historical Financial Information of Realord Investment Group

The directors of Realord Investment are responsible for the preparation of Historical Financial Information of Realord Investment Group that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Investment Group, and for such internal control as the directors of Realord Investment determine is necessary to enable the preparation of Historical Financial Information of Realord Investment Group that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of Realord Investment Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Realord Investment Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Realord Investment Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Realord Investment Group. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Realord Investment Group, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of Realord Investment Group that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Investment Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Realord Investment, as well as evaluating the overall presentation of the Historical Financial Information of Realord Investment Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information of Realord Investment Group gives, for the purposes of the accountants' report, a true and fair view of Realord Investment Group's consolidated financial position as at 31 December 2015, 2016 and 2017, of Realord Investment's financial position as at 31 December 2015, 2016 and 2017, and of Realord Investment Group's consolidated financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information of Realord Investment Group.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information of Realord Investment Group, no adjustments to the Underlying Financial Statements of Realord Investment Group as defined on page IV-4 have been made.

Dividends

We refer to Note 37 to the Historical Financial Information of Realord Investment Group which states that no dividends have been declared or paid by Realord Investment in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2018

HISTORICAL FINANCIAL INFORMATION OF REALORD INVESTMENT GROUP

Preparation of Historical Financial Information of Realord Investment Group

Set out below is the Historical Financial Information of Realord Investment Group which forms an integral part of this accountants' report.

The Historical Financial Information of Realord Investment Group in this report is prepared based on the consolidated financial statements of Realord Investment Group for the Relevant Periods which have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA (the "**Underlying Financial Statements of Realord Investment Group**"). These Underlying Financial Statements of Realord Investment Group were audited by us in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Realord Investment Group is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	6	442,775	378,727	–
Cost of sales		(435,003)	(372,953)	–
Gross profit		7,772	5,774	–
Other income	7	14,742	1,512	2,255
Other gains and losses	8	6,566	(401)	(12)
Selling and distribution expenses		(874)	(471)	(421)
Administrative expenses		(15,959)	(2,950)	(4,255)
Finance costs	9	(2,416)	(11,680)	(10,769)
Profit (loss) before tax		9,831	(8,216)	(13,202)
Income tax expenses	10	(1,662)	(85)	–
Profit (loss) for the year	11	8,169	(8,301)	(13,202)
Other comprehensive (expense) income for the year				
Item that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of functional currency to presentation currency		(4,863)	(2,595)	2,132
Total comprehensive income (expense) for the year		3,306	(10,896)	(11,070)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	14	4,187	3,015	2,715
Intangible asset	15	–	–	–
Prepaid lease payments	16	13,728	12,538	13,154
Pledged bank deposits	22	48,868	62,574	–
		66,783	78,127	15,869
Current assets				
Stock of properties	17	2,027,453	2,307,427	2,734,879
Prepaid lease payments	16	325	304	327
Trade and other receivables	18	590,284	431,584	181,608
Amount due from a customer for contract work	19	346,567	–	–
Amounts due from related companies	20	3,032	11	–
Amounts due from shareholders	20	8	8	8
Entrusted deposits	21	286,512	–	–
Pledged bank deposits	22	–	–	161
Bank balances and cash	22	79,597	2,104	47,064
		3,333,778	2,741,438	2,964,047
Current liabilities				
Trade and other payables	23	1,722,123	1,012,201	71,407
Amounts due to related companies	20	154,457	168,524	89,793
Amounts due to directors	20	239,906	223,218	547,519
Bank borrowings	24	903,388	705,010	678,405
Finance lease obligations	25	1,119	1,904	1,932
Income tax payable		2,428	2,481	2,553
		3,023,421	2,113,338	1,391,609
Net current assets		310,357	628,100	1,572,438
Total assets less current liabilities		377,140	706,227	1,588,307
Non-current liabilities				
Bank borrowings	24	326,465	666,298	–
Bonds	26	–	–	1,560,931
Finance lease obligations	25	5,816	5,966	4,483
		332,281	672,264	1,565,414
Net assets		44,859	33,963	22,893
Capital and reserves				
Share capital	27	8	8	8
Reserves		44,851	33,955	22,885
Equity attributable to owners of Realord Investment		44,859	33,963	22,893

STATEMENTS OF FINANCIAL POSITION OF REALORD INVESTMENT

		As at 31 December		
		2015	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Investment in a subsidiary	38	10	10	10
Current assets				
Amounts due from shareholders	20	8	8	8
Bank balances and cash		101	101	96
		109	109	104
Current liabilities				
Amounts due to directors	20	110	110	330
Amount due to a subsidiary	20	10	10	10
Amount due to a related company	20	–	–	100
		120	120	440
Net current liabilities		(11)	(11)	(336)
Net liabilities		(1)	(1)	(326)
Capital and reserve				
Share capital	27	8	8	8
Accumulated losses	28	(9)	(9)	(334)
Equity attributable to owners of Realord Investment		(1)	(1)	(326)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Registered capital/ share capital	Capital reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	50,985	37,156	(1,643)	14,745	101,243
Profit for the year	–	–	–	8,169	8,169
Exchange differences arising on translation of functional currency to presentation currency	–	–	(4,863)	–	(4,863)
Total comprehensive income for the year	–	–	(4,863)	8,169	3,306
Arising from the Reorganisation *(Note 2)*	(50,977)	(8,713)	–	–	(59,690)
At 31 December 2015	8	28,443	(6,506)	22,914	44,859
Loss for the year	–	–	–	(8,301)	(8,301)
Exchange differences arising on translation of functional currency to presentation currency	–	–	(2,595)	–	(2,595)
Total comprehensive expense for the year	–	–	(2,595)	(8,301)	(10,896)
At 31 December 2016	8	28,443	(9,101)	14,613	33,963
Loss for the year	–	–	–	(13,202)	(13,202)
Exchange differences arising on translation of functional currency to presentation currency	–	–	2,132	–	2,132
Total comprehensive expense for the year	–	–	2,132	(13,202)	(11,070)
At 31 December 2017	8	28,443	(6,969)	1,411	22,893

note: Capital reserve represents (i) the difference between the nominal value of the paid-in capital of a subsidiary established in the Peoples's Republic of China (the "**PRC**") acquired by Shenzhen Weilu Technology Holdings Co. Ltd. ("**Shenzhen Weilu**"), a subsidiary of Realord Investment and the nominal value of Shenzhen Weilu's paid-in capital in exchange thereof in a previous reorganisation; and (ii) the difference between the consideration paid by Realord Technology Holdings Limited, a subsidiary of Realord Investment, and the paid-in capital of Shenzhen Weilu pursuant to a group reorganisation as detailed in Note 2.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before tax	9,831	(8,216)	(13,202)
Adjustments for:			
Amortisation of prepaid lease payments	336	318	314
Depreciation of property, plant and equipment	2,933	957	554
Finance costs	2,416	11,680	10,769
Interest income	(14,742)	(1,506)	(2,076)
(Gain) loss on disposal of property, plant and equipment	(7,044)	–	10
Operating cash flows before movements in working capital	(6,270)	3,233	(3,631)
Increase in stock of properties	(896,583)	(212,413)	(313,894)
Decrease in trade and other receivables	599,250	158,700	249,976
(Increase) decrease in amount due from a customer for contract work	(170,334)	346,567	–
Increase (decrease) in trade and other payables	79,853	(73,397)	(922,589)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(394,084)	222,690	(990,138)
INVESTING ACTIVITIES			
Repayment from related companies	430,540	103,893	120,288
Repayment of entrusted deposits	88,668	286,512	–
Proceeds on disposal of property, plant and equipment	35,391	–	–
Interest received	14,742	1,506	2,076
Advance to related companies	(248,839)	(100,872)	(120,277)
Placement of pledged bank deposits	(48,868)	(62,607)	(461,556)
Withdrawal of pledged bank deposits	–	48,901	523,704
Additions to property, plant and equipment	–	(14)	(63)
NET CASH FROM INVESTING ACTIVITIES	271,634	277,319	64,172

	Year ended 31 December		
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
New borrowings raised	599,011	1,132,427	379,445
Advance from directors	513	57,635	714,084
Advance from related companies	47,591	16,840	–
Addition of finance lease obligations	7,515	2,333	–
Repayment to a supplier	(188,875)	(604,172)	(20,891)
Repayment to related companies	(128,980)	(3,507)	(82,447)
Repayment of bank borrowings	(127,062)	(998,356)	(1,105,053)
Interest paid	(76,589)	(103,564)	(172,856)
Repayment to directors	(12,475)	(73,452)	(374,476)
Repayment of finance lease obligations	(926)	(2,181)	(2,802)
Issuance of bonds	–	–	1,634,607
NET CASH FROM (USED IN) FINANCING ACTIVITIES	119,723	(575,997)	969,611
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,727)	(75,988)	43,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	86,114	79,597	2,104
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,790)	(1,505)	1,315
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	79,597	2,104	47,064

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Realord Investment was incorporated on 1 August 2014 with limited liability in the British Virgin Islands (the "**BVI**"). Its immediate and ultimate holding companies are Realord Ventures and Manureen Ventures, limited companies incorporated in the BVI, jointly owned 70% and 30% equity interests in Realord Investment, respectively. The address of the registered office of Realord Investment is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

The functional currency of Realord Investment is Renminbi ("RMB"), while the Historical Financial Information of Realord Investment Group is presented in Hong Kong dollars ("HK dollars") as the Company is listed in Hong Kong.

Realord Investment acts as an investment holding company. The principle activities of its subsidiaries are set out in Note 38.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION OF REALORD INVESTMENT GROUP

The Historical Financial Information of Realord Investment Group has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

During the Relevant Periods, the business of Realord Investment Group was carried out by Shenzhen Weilu and its wholly owned subsidiary, Shenzhen Sherpe Photoelectricity Technology Co. Ltd. ("**Shenzhen Sherpe**").

Prior to 31 December 2015, the entire equity interest of Shenzhen Weilu was collectively owned by Dr. Lin Xiaohui ("**Dr. Lin**") and his spouse, Madam Su Jiaohua ("**Madam Su**") (collectively referred as the "Controlling Shareholders").

During the year ended 31 December 2015, Realord Investment Group underwent a group reorganisation (the "**Reorganisation**") which involved interspersing the following companies between the Controlling Shareholders and Shenzhen Weilu:

- Realord Ventures and Manureen Ventures which are wholly owned by Dr. Lin and Madam Su, respectively;

- Realord Investment, which is jointly owned by Realord Ventures and Manureen Ventures;

- Realord Technology Holdings Limited ("**Realord Technology**") (formerly known as Grandcome Investment Limited), a wholly owned subsidiary of Realord Investment incorporated in Hong Kong; and

- Manureen Technology (Shenzhen) Limited ("**Manureen Technology**"), a wholly owned subsidiary of Realord Technology incorporated in the PRC, where Realord Technology acquired the entire equity interest of Shenzhen Weilu at consideration of RMB50,000,000 (equivalent to HK$59,690,000).

Realord Investment Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information of Realord Investment Group has been prepared on the basis as if Realord Investment had always being the holding company of Realord Investment Group.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows which include the financial performance and cash flows of the companies now comprising Realord Investment Group for the Relevant Periods have been prepared as if Realord Investment had always been holding company of Realord Investment Group and the current group structure had been in existence throughout the Relevant Periods, or since the respective date of establishment/incorporation of the relevant entity where is a shorter period.

No statutory financial statements of Realord Investment have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF HKFRSs

For the purposes of preparing and presenting the Historical Financial Information of Realord Investment Group for the Relevant Periods, Realord Investment Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

At the date of this report, the following new and revised HKFRSs that have been issued but are not yet effective:

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

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to Realord Investment Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held-for-trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

HKFRS 9 *Financial Instruments* – continued

Based on Realord Investment Group's financial instruments and risk management policies as at 31 December 2017, the directors of Realord Investment anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of Realord Investment anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to Realord Investment Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by Realord Investment Group.

Based on the assessment by the directors of Realord Investment, it is anticipated that the application of HKFRS 9 is not likely to have a material impact on the results and financial position of Realord Investment Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued classifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of Realord Investment anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of Realord Investment do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

HKFRS 16 *Leases* – continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, Realord Investment Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2017, Realord Investment Group had non-cancellable operating lease commitments of HK$138,000 as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, Realord Investment Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of Realord Investment anticipated application of other new and revised HKFRSs in issue but not yet effective will have no material impact on Realord Investment Group's financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information of Realord Investment Group has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information of Realord Investment Group includes applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information of Realord Investment Group has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Realord Investment Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information of Realord Investment Group is determined on such a basis except for leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information of Realord Investment Group incorporates the financial information of Realord Investment and entities controlled by Realord Investment and its subsidiaries. Control is achieved where Realord Investment:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Realord Investment Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements or control listed above.

Consolidation of a subsidiary begins when Realord Investment Group obtains control over the subsidiary and ceases when Realord Investment Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date Realord Investment Group gains control until the date when Realord Investment Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Realord Investment Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Realord Investment Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in Realord Investment's statements of financial position at cost less any identified impairment loss.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amount due from a customer for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amount due to a customer for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to Realord Investment Group and when specific criteria have been met for each of Realord Investment Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from construction service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Realord Investment Group as lessee

Assets held under finance leases are recognised as assets of Realord Investment Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with Realord Investment Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When Realord Investment Group makes payments for a property interest which includes both leasehold land and building elements, Realord Investment Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Realord Investment Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the Historical Financial Information of Realord Investment Group, the assets and liabilities of Realord Investment Group's operations are translated into the presentation currency of Realord Investment Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs and termination benefits

Payments to the state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit or loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Realord Investment Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Taxation – continued

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the Historical Financial Information of Realord Investment Group and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Realord Investment Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Realord Investment Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for administrative purposes (other than properties under development) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under development) over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amorisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Properties under development for sale

Properties under development which are intended to be sold upon completion of development are classified as current assets, and carried at the lower of cost and net realisable value. Cost includes the related land cost, development expenditure incurred and where appropriate, borrowing costs capitalised.

Properties under development for sale are transferred to properties held for sale upon completion.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on tangible assets

At the end of the reporting period, Realord Investment Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, Realord Investment Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related companies/ shareholders, entrusted deposits, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for receivables could include Realord Investment Group's past experience of collecting payments, an increase in the number of delayed payments past the respective credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Realord Investment Group after deducting all of its liabilities. Equity instruments issued by Realord Investment are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related companies/directors, bank borrowings, finance lease obligations and bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Realord Investment Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Realord Investment Group derecognises a financial liability when, and only when, Realord Investment Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Realord Investment Group's accounting policies, which are described in Note 4, the directors of Realord Investment are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates that have a significant risk of causing a material adjustment to the results and the carrying amounts of assets and liabilities of Realord Investment Group are discussed below.

Estimation of contract revenue and costs

Realord Investment Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works.

Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract when the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

Net realisable value of stock of properties

Stock of properties are stated at the lower of the cost and net realisable value. Based on the experience of directors of Realord Investment and the nature of the subject properties, the directors of Realord Investment determine the net realisable value of stock of properties by reference to the estimated market prices, which takes into account a number of factors including the recent prices of similar and comparable properties, and the prevailing real estate market conditions in the PRC. The directors of Realord Investment estimates the future cost to completion of the stock of properties by reference to the actual development cost.

As at 31 December 2015, 2016 and 2017, the carrying amounts of stock of properties amounted to HK$2,027,453,000, HK$2,307,427,000 and HK$2,734,879,000, respectively. Details of Realord Investment Group's stock of properties are set out in Note 17.

6. SEGMENT INFORMATION

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

Specifically, Realord Investment Group's reportable segments under HKFRS 8, which are the same as operating segments, are as follows:

(i) Trading of electronic components; and

(ii) Property construction and investment.

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Trading of electronic components	2,770	274,519	–
Property construction	440,005	104,208	–
	442,775	378,727	–
Segment (loss) profit			
Trading of electronic components	(799)	3,470	(421)
Property construction	7,749	1,835	–
	6,950	5,305	(421)
Unallocated items			
Other income	14,742	1,512	2,255
Other gains (losses)	6,566	(401)	(12)
Unallocated expenses	(16,011)	(2,952)	(4,255)
Finance costs	(2,416)	(11,680)	(10,769)
Profit (loss) before tax	9,831	(8,216)	(13,202)

6. SEGMENT INFORMATION – continued

The accounting policies of the operating segments are the same as Realord Investment Group's accounting policies described in Note 4. Segment (loss) profit represents the loss from/profit earned by each segment without allocation of central administration costs, directors' emoluments, other income, other gains and losses, depreciation expense and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue during the Relevant Periods.

Segment assets and liabilities

The following is analysis of Realord Investment Group's assets and liabilities by reportable and operating segments:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Segment assets			
Trading of electronic components	507,614	–	–
Property construction and investment	2,459,108	2,749,411	2,926,369
Total segment assets	2,996,722	2,749,411	2,926,369
Property, plant and equipment	4,187	3,015	2,715
Pledged bank deposits	48,868	62,574	161
Other receivables	11,635	2,442	3,599
Amounts due from related companies	3,032	11	–
Amounts due from shareholders	8	8	8
Entrusted deposits	286,512	–	–
Bank balances and cash	79,597	2,104	47,064
Consolidated total assets	3,400,561	2,819,565	2,979,916
Segment liabilities			
Trading of electronic components	2,661	17,315	4
Property construction and investment	2,259,973	2,331,260	2,295,162
Total segment liabilities	2,262,634	2,348,575	2,295,166
Other payables	698,705	45,285	24,545
Amounts due to related companies	154,457	168,524	89,793
Amounts due to directors	239,906	223,218	547,519
Consolidated total liabilities	3,355,702	2,785,602	2,957,023

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, certain other receivables, amounts due from related companies, amounts due from shareholders, pledged bank deposits, entrusted deposits and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amounts due to related companies and amounts due to directors.

6. SEGMENT INFORMATION – continued

Geographical information

The operation and assets of Realord Investment Group are located in the PRC.

Information about major customers

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

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	440,005	104,208	–
Customer B	–	274,519	–

7. OTHER INCOME

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	14,742	1,506	2,076
Sundry income	–	6	179
	14,742	1,512	2,255

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Gain (loss) on disposal of property, plant and equipment	7,044	–	(10)
Net exchange loss	(212)	–	(2)
Others	(266)	(401)	–
	6,566	(401)	(12)

9. FINANCE COSTS

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings	76,358	104,371	78,635
Interest on finance leases	522	603	1,420
Interest on bonds	–	–	91,723
Bank charges on bonds	–	–	4,429
	76,880	104,974	176,207
Amount capitalised to properties under development	(74,464)	(93,294)	(165,438)
	2,416	11,680	10,769

10. INCOME TAX EXPENSES

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
– PRC Enterprise Income Tax ("**PRC EIT**")	1,662	85	–

No Hong Kong Profits Tax is provided as Realord Investment Group did not have assessable profit in Hong Kong during the Relevant Periods.

Under the Law of the PRC EIT (the "**EIT Law**") and the implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Relevant Periods.

10. INCOME TAX EXPENSES – continued

The taxation for the year can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before tax	9,831	(8,216)	(13,202)
Tax at PRC EIT rate of 25%	2,458	(2,054)	(3,301)
Tax effect of expenses not deductible for tax purpose	6	–	51
Tax effect of tax losses not recognised	–	2,139	3,250
Utilisation of tax losses previously not recognised	(802)	–	–
Taxation for the year	1,662	85	–

At 31 December 2015, 2016 and 2017, Realord Investment Group has unrecognized tax losses of approximately HK$16,380,000, HK$24,936,000 and HK$24,806,000 respectively to offset against future taxable profits. No tax losses had been recognised as deferred tax assets due to uncertainty of its recoverability. The unrecognised tax losses can be carried forward for five years. During 31 December 2017, unrecognised tax losses of approximately HK$13,129,000 were expired.

11. PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):			
Auditor's remuneration	57	57	58
Directors' emoluments *(Note 12)*			
Fees, salaries and other benefits	592	351	277
Retirement benefits scheme contributions	–	–	–
Total directors' emoluments	592	351	277
Other staff costs:			
Salaries	481	–	513
Retirement benefits scheme contributions	41	–	11
Total staff costs	522	–	524
Depreciation of property, plant and equipment	2,933	957	554
Amortisation of prepaid lease payments	336	318	314
Minimum lease payments under operating leases in respect of rented premises	393	347	324
Cost of construction services recognised as expenses	432,256	102,373	–
Cost of inventories recognised as expenses	2,747	270,580	–

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid to directors for the Relevant Periods are as follows:

For the year ended 31 December 2015

		Other emoluments			
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dr. Lin	296	–	–	–	296
Madam Su	296	–	–	–	296
	592	–	–	–	592

For the year ended 31 December 2016

		Other emoluments			
	Fees	Basic salaries, allowances and benefits in kind	Bonus	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dr. Lin	281	–	–	–	281
Madam Su	70	–	–	–	70
	351	–	–	–	351

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) Directors' emoluments – continued

For the year ended 31 December 2017

		Other emoluments			
	Fees	**Basic salaries, allowances and benefits in kind**	**Bonus**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Dr. Lin	277	–	–	–	277
Madam Su	–	–	–	–	–
	277	–	–	–	277

(b) Employees' emoluments

Details of the remuneration for the five highest paid individuals are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Basic salaries and allowance	108	–	513
Retirement benefits scheme contributions	4	–	11
	112	–	524

The number of the highest paid individuals whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
Nil to HK$1,000,000	3	N/A	3

No emoluments were paid by Realord Investment Group to the directors nor the five highest paid individuals as an inducement to join or upon joining Realord Investment Group or as compensation for loss of office during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in the PRC *HK$'000*	Computer system *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST						
At 1 January 2015	36,871	6,401	1,423	1,730	2,338	48,763
Disposals	(33,847)	–	–	–	–	(33,847)
Exchange difference	(576)	(291)	(65)	(79)	(106)	(1,117)
At 31 December 2015	2,448	6,110	1,358	1,651	2,232	13,799
Additions	–	–	14	–	–	14
Exchange difference	(159)	(395)	(88)	(107)	(144)	(893)
At 31 December 2016	2,289	5,715	1,284	1,544	2,088	12,920
Additions	–	63	–	–	–	63
Disposals	–	(228)	–	–	–	(228)
Exchange difference	172	421	97	116	157	963
At 31 December 2017	2,461	5,971	1,381	1,660	2,245	13,718
ACCUMULATED DEPRECIATION						
At 1 January 2015	4,609	4,612	1,130	1,423	898	12,672
Provided for the year	1,333	698	113	303	486	2,933
Eliminated on disposals	(5,500)	–	–	–	–	(5,500)
Exchange difference	(74)	(232)	(55)	(75)	(57)	(493)
At 31 December 2015	368	5,078	1,188	1,651	1,327	9,612
Provided for the year	44	398	65	–	450	957
Exchange difference	(25)	(346)	(80)	(107)	(106)	(664)
At 31 December 2016	387	5,130	1,173	1,544	1,671	9,905
Provided for the year	43	78	40	–	393	554
Eliminated on disposals	–	(218)	–	–	–	(218)
Exchange difference	31	378	90	116	147	762
At 31 December 2017	461	5,368	1,303	1,660	2,211	11,003
CARRYING VALUES						
At 31 December 2017	2,000	603	78	–	34	2,715
At 31 December 2016	1,902	585	111	–	417	3,015
At 31 December 2015	2,080	1,032	170	–	905	4,187

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives.

Leasehold land and buildings in the PRC	Over the shorter of the term of lease, or 50 years
Computer system	3 to 5 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvements	Over the shorter of the term of lease, or 2 years
Motor vehicles	8 – 12 years

15. INTANGIBLE ASSET

	Trademark
	HK$'000
COST	
At 1 January 2015	187
Exchange difference	(9)
At 31 December 2015	178
Exchange difference	(12)
At 31 December 2016	166
Exchange difference	13
At 31 December 2017	179
AMORTISATION	
At 1 January 2015	187
Exchange difference	(9)
At 31 December 2015	178
Exchange difference	(12)
At 31 December 2016	166
Exchange difference	13
At 31 December 2017	179
CARRYING VALUES	
At 31 December 2015, 2016 and 2017	–

The trademark has a finite useful life and was amortised on a straight-line basis over three years.

16. PREPAID LEASE PAYMENTS

The carrying amounts of prepaid lease payments represent land use rights held under medium-term leases located in the PRC and are analysed as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	13,728	12,538	13,154
Current assets	325	304	327
	14,053	12,842	13,481

17. STOCK OF PROPERTIES

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Stock of completed properties for sale	1,392,895	1,484,190	1,689,256
Properties under development for sale	634,558	823,237	1,045,623
	2,027,453	2,307,427	2,734,879

The properties under development for sale are located in the PRC.

Included in stock of properties for sale classified as current assets are carrying amounts of approximately HK$2,027,453,000, HK$2,307,427,000 and HK$2,735,879,000 as at 31 December 2015, 2016 and 2017 which are not expected to be realised within twelve months from the end of the reporting period, respectively.

18. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	507,614	328,487	77,394
Unbilled retention receivable from the government *(note i)*	–	100,495	100,495
Prepayments to suppliers	71,035	160	120
Other deposits	1,410	1,020	1,258
Others	10,225	1,422	2,341
Total trade and other receivables	590,284	431,584	181,608

(i) Unbilled retention receivable from the government will be billed to customers at the end of the defect liability period of individual contracts, that is two years from the date of practical completion of respective project, subject to extension due to actual circumstance of the project.

The unbilled retention receivables are expected to be settled, based on the expiry date of defect liability period, at the end of each reporting period:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	–	1,005	100,495
Due after one year	–	99,490	–
Total unbilled retention receivables	–	100,495	100,495

18. TRADE AND OTHER RECEIVABLES - continued

Realord Investment Group allows credit periods ranged from 45 to 90 days to its customers in the trading of electronic components and 180 days to its customer in property construction. The following is an aged analysis of trade receivables presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of each reporting period.

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables:			
0 – 30 days	2,680	–	–
91 – 365 days	–	328,487	–
Over 365 days	504,934	–	77,394
	507,614	328,487	77,394

Before accepting any new customer, Realord Investment Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year, and Realord Investment Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

Included in Realord Investment Group's trade receivable balance are debtors with aggregate carrying amounts of approximately HK$504,934,000, HK$328,487,000 and HK$77,394,000 which are past due as at 31 December 2015, 2016 and 2017, respectively. Realord Investment Group did not provide for impairment loss as there had not been a significant change in credit quality and the amounts as at 31 December 2015 were fully settled in the year ended 31 December 2016. Realord Investment Group did not hold any collateral over these balances.

Aged analysis of trade receivables which are past due but not impaired is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
91 – 365 days	–	328,487	–
Over 365 days	504,934	–	77,394

Realord Investment Group performed assessment on individual trade receivables and no allowance was recognised at the end of each reporting period.

19. AMOUNT DUE FROM/TO A CUSTOMER FOR CONTRACT WORK

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Contracts in progress in relation to construction and sale of properties			
Contract costs incurred plus recognised profits	900,745	1,004,953	1,004,953
Less: progress billings	(554,178)	(1,004,953)	(1,004,953)
	346,567	–	–
Analysed for reporting purposes as:			
Amount due from a customer for contract work	346,567	–	–

20. AMOUNTS DUE FROM (TO) RELATED COMPANIES/SHAREHOLDERS/DIRECTORS

REALORD INVESTMENT GROUP

Amounts due from (to) related companies/shareholders/directors which are non-trade in nature, unsecured, interest-free and repayable on demand are detailed as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related companies			
深圳市偉祿集團控股有限公司	3,020	–	–
深圳市偉祿物業管理有限公司	12	11	–
	3,032	11	–
Amounts due to related companies			
美林控股有限公司	–	29,034	–
深圳市偉祿建設工程有限公司	97,450	86,164	89,793
深圳市偉祿投資控股有限公司	57,007	53,326	–
	154,457	168,524	89,793

All of the above related companies are controlled by Dr. Lin as at 31 December 2015, 2016 and 2017.

Amounts due from shareholders			
Realord Ventures	6	6	6
Manureen Ventures	2	2	2
	8	8	8
Amounts due to directors			
Dr. Lin	181,065	168,177	488,337
Madam Su	58,841	55,041	59,182
	239,906	223,218	547,519

Maximum amount of amounts due from related companies during the Relevant Periods are:

深圳市偉祿集團控股有限公司	157,757	57,635	–
深圳市偉祿物業管理有限公司	12	11	11

REALORD INVESTMENT

The amount(s) due from (to) shareholders/directors/a subsidiary/a related company are non-trade in nature, unsecured, interest-fee and repayable on demand.

21. ENTRUSTED DEPOSITS

As at 31 December 2015, the entrusted deposits were placed with a financial institution in the PRC. As at 31 December 2015, the deposits carried expected rates of return of 4.10% per annum. The entrusted deposits matured and were settled in the year ended 31 December 2016.

22. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

As at 31 December 2015, 2016 and 2017, bank balances carry interest at market rates which range from 0.3% to 0.35%, 0.3% to 0.35% and 0.3% to 0.35% per annum, respectively.

The pledged bank deposits were pledged to banks to secure long-term borrowings and therefore classified as non-current assets as at 31 December 2015 and 2016. As at 31 December 2015, 2016 and 2017, pledged bank balances carry interest at market rates which range from 1.75% to 3%, at 1.75% and at 1.75% per annum, respectively.

23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	2,661	3	4
Accrued expenditure on construction	996,208	923,885	19,092
Bills payables	–	17,312	–
Advance from a supplier *(note)*	657,396	19,949	–
Other tax payables	43,158	44,918	48,315
Other payables	22,700	6,134	3,996
	1,722,123	1,012,201	71,407

Trade and bills payables and accrued expenditure on construction comprise construction costs and other project-related costs which are payable based on project progress measured by certified surveyors. Realord Investment Group has financial risk management policies in place to ensure all payables are settled within the credit timeframe.

note: The advance from a supplier was unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade and bills payables at the end of each reporting period:

	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	2,658	–	–
Over 90 days	3	17,315	4
	2,661	17,315	4

The credit period on purchase of goods ranges from 0 to 180 days. For certain suppliers, Realord Investment Group is required to make prepayments and/or pay deposits to the suppliers based on the supplier agreements for purchase of goods.

24. BANK BORROWINGS

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	1,229,853	1,371,308	678,405
The carrying amounts of the above borrowings are repayable:			
Within one year	903,388	705,010	678,405
Within a period of more than one year but not exceeding two years	326,465	666,298	–
	1,229,853	1,371,308	678,405
Less: Amounts due within one year shown under current liabilities	(903,388)	(705,010)	(678,405)
	326,465	666,298	–

The ranges of effective interest rates of bank borrowings at the end of the reporting period are as follows:

	As at 31 December		
	2015	**2016**	**2017**
Bank borrowings at fixed rate – RMB	4.35%	8.10%-8.20%	8.10%
Bank borrowings at variable rate – RMB	4.35%-7.68%	5.39%-6.15%	4.79%-5.22%

The carrying amounts of all bank borrowings are denominated in RMB and approximate their fair values.

All the Realord Investment Group's bank borrowings as at 31 December 2015, 2016 and 2017 were secured by the pledge of assets as set out in Note 31.

25. FINANCE LEASE OBLIGATIONS

During the years ended 31 December 2015, 2016 and 2017, Realord Investment Group leased certain of its lifts (included in stock of properties) from a related party. Pursuant to the agreements, the legal ownership of the lifts will automatically be transferred to Realord Investment Group upon completion of purchase commitment within the lease term of 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 15% per annum. No arrangements have been entered into for contingent rental payments.

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:			
Current liabilities	1,119	1,904	1,932
Non-current liabilities	5,816	5,966	4,483
	6,935	7,870	6,415

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2015	**2016**	**2017**	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Obligations under finance leases payable:						
Within one year	2,086	2,594	2,092	1,119	1,904	1,932
Within a period of more than one year but not more than two years	4,171	5,188	5,277	2,799	3,879	4,483
Within a period of more than two years but not more than five years	3,356	2,314	–	3,017	2,087	–
	9,613	10,096	7,369	6,935	7,870	6,415
Less: future finance charges	(2,678)	(2,226)	(954)	N/A	N/A	N/A
Present value of lease obligations	6,935	7,870	6,415	6,935	7,870	6,415
Less: Amount due for settlement within twelve months (shown under current liabilities)				(1,119)	(1,904)	(1,932)
Amount due for settlement after twelve months				5,816	5,966	4,483

26. BONDS

The bonds are denominated in RMB, secured, matured on three years after the date of issue and bear interest at rates ranging from 6.2% to 7.5% per annum as at 31 December 2017. Realord Investment Group may at any time prior to the maturity date redeem the bonds at the outstanding principal and interest amount (in whole or in part) in cash by serving at least 20 business days' prior written notice on the holder of the bonds. The bonds are secured by 11% equity interests and 100% equity interests of two subsidiaries of Realord Investment respectively. In the opinion of the directors of Realord Investment, the fair value of the option to early redeem the bonds is insignificant at initial recognition and at the end of the reporting period.

27. PAID-IN CAPITAL/SHARE CAPITAL

As at 1 January 2015, the Reorganisation has not been completed.

For the purpose of this report, the combined capitals of Realord Investment Group as at 1 January 2015 represents the aggregate of the share capital of Realord Investment and the paid-in capital of Shenzhen Weilu.

Details of movements of the authorised and issued share capital of Realord Investment are as follows:

	Number of shares	**Nominal amounts**
		HK$'000
Ordinary shares of US$1 each		
Maximum capital:		
At 1 January 2015, 31 December 2015, 2016 and 2017	1,000	8
Issued:		
At 1 January 2015, 31 December 2015, 2016 and 2017	1,000	8

28. ACCUMULATED LOSSES OF REALORD INVESTMENT

The movements in the accumulated losses of Realord Investment are as follows:

	Accumulated losses
	HK$'000
At 1 January 2015, 31 December 2015 and 31 December 2016	(9)
Total comprehensive expense for the year	(325)
At 31 December 2017	(334)

29. RETIREMENT FUND SCHEMES

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of Realord Investment Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

Realord Investment Group's contributions to the state-managed retirement benefit schemes charged to the consolidated statements of profit or loss and other comprehensive income as staff costs during the years ended 31 December 2015, 2016 and 2017 amounted to HK$41,000, Nil and HK$11,000 respectively.

30. OPERATING LEASE

Realord Investment Group as lessee

Minimum lease payments paid under operating leases for rented premises during the years ended, 31 December 2015, 2016 and 2017 were HK$393,000, HK$347,000 and HK$324,000, respectively.

At the respective reporting date, Realord Investment Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	220	140	138

Operating lease payments represent rentals payable by Realord Investment Group for certain of its offices. Leases are generally negotiated for 1 year term.

31. PLEDGE OF ASSETS

Realord Investment Group's credit facilities were secured by its assets as follows:

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Prepaid lease payments	14,053	12,842	13,481
Stock of properties	2,027,453	2,307,427	2,734,879
Pledged bank deposits	48,868	62,574	161
	2,090,374	2,382,843	2,748,521

32. CAPITAL COMMITMENTS

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in the Historical Financial Information of Realord Investment Group:			
– expenditure in respect of projects classified as properties under development for sale	5,334	898	–
– expenditures in respect of construction projects	8,944	–	–
	14,278	898	–

33. CAPITAL RISK MANAGEMENT

Realord Investment Group manages its capital to ensure that the companies comprising Realord Investment Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Realord Investment Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of Realord Investment Group consists of net debt, which includes amounts due to related companies/directors, bank borrowings, bonds and finance lease obligations, net of cash and cash equivalents, and equity attributable to owners of Realord Investment, comprising issued share capital and various reserves.

The directors of Realord Investment review the capital structure regularly. As part of this review, the directors of Realord Investment consider the cost of capital and the risks associated with each class of capital, and will take appropriate actions to balance its overall capital structure.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,283,833	496,121	228,721
Financial liabilities			
Amortised cost	3,303,181	2,730,333	2,899,740

34b. Financial risk management objectives and policies

Realord Investment Group's major financial instruments include trade and other receivables, amounts due from related companies/shareholders, entrusted deposits, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies/directors, bank borrowing and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS – continued

34b. Financial risk management objectives and policies – continued

Currency risk

Realord Investment Group's exposure to currency risk mainly arises from the fluctuation of United State dollar ("**US$**") against the functional currencies of the relevant entities now comprising Realord Investment Group. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities other than the functional currencies of the relevant entities now comprising the Realord Investment Group are as set out below. The management closely monitors foreign exchange exposure to mitigate the foreign currency risk.

	Liabilities As at 31 December			Assets As at 31 December		
	2015	**2016**	**2017**	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
US$	–	–	–	507,614	–	–

Sensitivity analysis

Realord Investment Group's foreign currency risk is concentrated on the fluctuation of RMB against US$.

The following table details Realord Investment Group's sensitivity to a 5% increase and decrease in the RMB against US$. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease in post-tax profit for the year where RMB strengthens 5% (2016: 5%) against US$. For a 5% (2016: 5%) weakening of RMB against US$, there would be an equal and opposite impact on the post-tax result and the balance below would be negative.

	Year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in post-tax profit	19,036	–	–

Interest rate risk

Realord Investment Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on bank balances and bank borrowings which carried prevailing market variable interest rates based on the interest rates quoted by the People's Bank of China.

Realord Investment Group is also exposed to fair value interest rate risk relates primarily to entrusted deposits, pledged bank deposits, bank borrowings and bonds which carried fixed interest rates.

Realord Investment Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors of Realord Investment monitor Realord Investment Group's exposures on an ongoing basis and will consider hedging the interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to cash flow interest rate risk for variable-rate bank borrowings. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. In the opinion of the directors of Realord Investment, no sensitivity analysis for bank balances is prepared as the effect of fluctuation of interest rate is not significant. An increase or a decrease of 50 basis points is used when reporting the interest rate risk internally.

34. FINANCIAL INSTRUMENTS – continued

34b. Financial risk management objectives and policies – continued

Interest risk – continued

Sensitivity analysis – continued

At the end of each reporting period, if interest rates on variable-rate bank borrowings had been increased/decreased by 50 basis points, and all other variables were held constant, Realord Investment Group's finance costs would increase/decrease by approximately HK$1,404,000, HK$1,831,000 and HK$1,291,000 for the years ended 31 December 2015, 2016 and 2017 respectively. Significant portion of the increase/decrease in finance costs would be capitalised to properties under development.

Credit risk

At the end of each reporting period, the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position represent Realord Investment Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties.

Realord Investment Group is exposed to concentration of credit risk as at 31 December 2015, 2016 and 2017 in relation to its trade and unbilled retention receivable from the Group's major customers amounted to HK$507,614,000, HK$428,982,000 and HK$177,889,000, respectively, which accounted for 100%, 100% and 100% of Realord Investment Group's total trade and retention receivable, respectively.

The major customers of Realord Investment Group are certain reputable corporations. The management of Realord Investment group considers that the credit risk is limited in this regard.

Realord Investment Group's credit risk is also attributable to its amounts due from related companies. As represented by the directors of Realord Investment, the related companies have good credit quality by taking into account their credit history and financial position.

The credit risk exposure for entrusted deposits, pledged bank deposits and bank balances exposed to is considered minimal as such amounts are placed with banks with good reputation.

Other than above, Realord Investment Group does not have any other significant concentration of credit risk at the end of the reporting period.

Liquidity risk

In the management of the liquidity risk, Realord Investment Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Realord Investment Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following tables detail Realord Investment Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Realord Investment Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

34. FINANCIAL INSTRUMENTS – continued

34b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity table

	Weighted average interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2015							
Trade and other payables	–	1,677,676	–	–	–	1,677,676	1,678,965
Amounts due to related companies	–	154,457	–	–	–	154,457	154,457
Amounts due to directors	–	239,906	–	–	–	239,906	239,906
Bank borrowings							
– fixed rate	4.35	292,996	–	–	–	292,996	280,782
– variable rate	7.03	92,113	184,226	390,036	349,415	1,015,790	949,071
Finance lease obligations	15.00	–	522	1,564	7,527	9,613	6,935
		2,457,148	184,748	391,600	356,942	3,390,438	3,310,116

	Weighted average interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016							
Trade and other payables	–	965,072	–	–	–	965,072	967,283
Amounts due to related companies	–	168,524	–	–	–	168,524	168,524
Amounts due to directors	–	223,218	–	–	–	223,218	223,218
Bank borrowings							
– fixed rate	8.11	85,514	171,029	407,455	422,540	1,086,538	1,005,030
– variable rate	5.53	21,244	42,491	32,111	290,688	386,534	366,278
Finance lease obligations	15.00	–	649	1,945	7,502	10,096	7,870
		1,463,572	214,169	441,511	720,730	2,839,982	2,738,203

34. FINANCIAL INSTRUMENTS – continued

34b. Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017							
Trade and other payables	–	19,137	–	–	–	19,137	23,092
Amounts due to related companies	–	89,793	–	–	–	89,793	89,793
Amounts due to directors	–	547,519	–	–	–	547,519	547,519
Bank borrowings							
– fixed rate	8.10	454,291	–	–	–	454,291	420,251
– variable rate	5.13	271,397	–	–	–	271,397	258,154
Bonds	6.93	38,826	77,563	349,437	1,203,198	1,669,104	1,560,931
Finance lease obligations	15.00	–	698	1,394	527	7,396	6,415
		1,420,963	78,351	350,831	1,208,465	3,058,610	2,906,155

34c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of Realord Investment consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information of Realord Investment Group approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Realord Investment Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in Realord Investment Group's consolidated statements of cash flows from financing activities.

	Bank borrowings	Bonds	Amounts due to related companies	Amounts due to directors	Interest payables	Advance from a supplier	Finance lease obligations	Total from financing activities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	738,239	–	239,237	190,189	1,468	854,141	–	2,023,274
Financing cash flows	471,949	–	(81,389)	(11,962)	(76,589)	(188,875)	(926)	112,208
Finance costs	–	–	–	–	76,358	–	522	76,880
New finance lease	–	–	–	–	–	–	7,515	7,515
Acquisition of Shenzhen Weilu	–	–	–	59,690	–	–	–	59,690
Exchange translation difference	19,665	–	(3,391)	1,989	52	(7,870)	(176)	10,269
At 31 December 2015	1,229,853	–	154,457	239,906	1,289	657,396	6,935	2,289,836
Financing cash flows	134,071	–	13,333	(15,817)	(103,564)	(604,172)	(2,181)	(578,330)
Finance costs	–	–	–	–	104,371	–	603	104,974
New finance lease	–	–	–	–	–	–	2,333	2,333
Exchange translation difference	7,384	–	734	(871)	115	(33,275)	180	(25,733)
At 31 December 2016	1,371,308	–	168,524	223,218	2,211	19,949	7,870	1,793,080
Financing cash flows	(725,608)	1,634,607	(82,447)	339,608	(172,856)	(20,891)	(2,802)	969,611
Finance costs	–	–	–	–	174,787	–	1,420	176,207
Exchange translation difference	32,705	(73,676)	3,716	(15,307)	(187)	942	(73)	84,585
At 31 December 2017	678,405	1,560,931	89,793	547,519	3,955	–	6,415	2,854,313

36. RELATED PARTY DISCLOSURES

(a) Details of balances with related parties at the end of each reporting period and significant transactions entered into during the reporting periods are as follows:

(i) Balances

Details of Realord Investment Group's outstanding balances with related companies are set out in the consolidated statements of financial position and Notes 20 and 25.

(ii) Transactions

		Year ended 31 December		
Name of transaction	**Relationship**	**2015**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*
Purchase of electronic components	A related company	–	270,580	–
Interest on finance leases	A related company	522	603	1,420

(b) Key management personnel are directors of Realord Investment. Details in relation to their remuneration are set out in Note 11.

(c) Dr. Lin and Madam Su, the directors of Realord Investment have provided personnel guarantees in respect of the banking facilities granted to Realord Investment Group to the extent of HK$596,900,000, HK$1,451,710,000 and HK$1,025,859,000 as at 31 December 2015, 2016 and 2017 respectively.

(d) As at 31 December 2015, 2016 and 2017, the general banking facilities granted by banks to Realord Investment Group are secured by certain properties held by related parties.

37. DIVIDENDS

No dividend was declared or paid by Realord Investment since its incorporation or by Realord Investment Group entities during the Relevant Periods.

38. PARTICULARS OF SUBSIDIARIES

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment, at cost	10	10	10

38. PARTICULARS OF SUBSIDIARIES – continued

During the Relevant Periods and as at the date of this report, Realord Investment has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued and paid up capital	Attributable equity interest held by Realord Investment: As at 31 December 2015	2016	2017	At date of this report	Principal activity	*notes*
Directly owned								
Realord Technology 偉祿科技控股有限公司	Hong Kong 7 November 2014	HK$10,000	100%	100%	100%	100%	Investment holding	(i)
Indirectly owned								
Manureen Technology 美林科技(深圳)有限公司	The PRC 12 February 2015	HK$10,000,000	100%	100%	100%	100%	Inactive	(ii)
Realord Investment Holdings Limited	Hong Kong 14 July 2009	USD100,000	100%	100%	100%	100%	Inactive	(i)
Shenzhen Weilu 深圳市偉祿科技控股有限公司	The PRC 13 January 2005	RMB50,000,000	100%	100%	100%	100%	Properties construction and investment and trading of electronic components	(ii)
Shenzhen Sherpe 深圳市夏浦光電技術有限公司	The PRC 14 October 2005	RMB50,000,000	100%	100%	100%	100%	Properties construction and investment	(ii)
Shenzhen Realord Realty Co. Ltd. 深圳市偉祿置業有限公司	The PRC 14 July 2016	RMB10,000,000	N/A	100%	100%	100%	Inactive	(iii)
Shenzhen Manureen Commercial Operation Management Co. Ltd. 美林商業運營管理有限公司	The PRC 3 May 2017	RMB10,000,000	N/A	N/A	100%	100%	Inactive	(iv)

The financial year end date of Realord Technology and its subsidiaries is 31 December.

notes:

(i) The statutory financial statements for the years ended 31 December 2015 and 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Tandem (HK) CPA Limited. The statutory financial statements for the year ended 31 December 2017 are not yet due for issue.

(ii) The statutory financial statements of the subsidiaries established in the PRC for the years ended 31 December 2015 and 2016 were prepared in accordance with the relevant principles and financial regulations applicable to enterprises established in the PRC and were audited by 深圳中興信會師務所 which is registered in the PRC. The statutory financial statements for the year ended 31 December 2017 are not yet due for issue.

(iii) No audited financial statements have been prepared for the Relevant Periods as it was not required to issue audited accounts by the local authorities.

(iv) No audited financial statements have been prepared for the Relevant Periods as it was just established on 3 May 2017 and it has not carried on any business.

39. NON-CASH TRANSACTION

During the year ended 31 December 2015, the consideration of RMB50,000,000 (equivalent to HK$59,690,000) on acquisition of the entire interest of Shenzhen Weilu payable to Dr. Lin and Madam Su was settled through current account with directors in the same amount.

40. EVENTS AFTER REPORTING PERIOD

No significant event took place after the Relevant Periods.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Realord Investment Group, Realord Investment or any of its subsidiaries have been prepared subsequent to 31 December 2017.

2. MANAGEMENT DISCUSSION AND ANALYSIS ON REALORD INVESTMENT

Set out below is the management discussion and analysis of the Realord Investment Group during the Track Record Period.

Business review

Realord Investment, Realord Technology and Manureen Technology were incorporated as investment holding companies in August 2014, November 2014 and February 2015 respectively. The aforementioned companies have not carried out any business since the date of incorporation, except for the share transfer of the entire equity interests in Shenzhen Weilu by the Vendors to Manureen Technology in 2015 (the "**Reorganisation**"). Since the Reorganisation, Realord Investment became the holding company of Realord Technology, Manureen Technology, Shenzhen Weilu and its subsidiaries. The financial information of Realord Investment Group as disclosed in the accountants' report of Realord Investment Group contained in this appendix has been prepared as if Realord Investment had always been holding company of Realord Investment Group and the current group structure had been in existence throughout the Track Record Period, or since the respective date of establishment/incorporation of the relevant entity of Realord Investment Group where is a shorter period.

The Realord Investment Group was engaged in Components Trading Business and property development business through two major operating subsidiaries, namely Shenzhen Weilu and Shenzhen Sherpe, during the Track Record Period. During the Track Record Period, the scale of the Components Trading Business was minimal, with merely one single transaction in FY2015 and FY2016 and nil in FY2017. The property development business of the Target Group during the Track Record Period represented the development of the Guanlan Property, the Guangming Property and the Government Residentials. Construction of these three properties had been completed in FY2017 and the Government Residentials were delivered to the local government at cost (approximately HK$956.0 million, excluding tax) in September 2017 according to the terms agreed between the Target Group and the local government at the outset. The Guanlan Property and the Guangming Property remained vacant during the FY2017. During the Track Record Period, revenue generated from the property development business (i.e. from the sale of the Government Residentials) which was recognized based on the stage of completion of the development of the Government Residentials under the development contract of Realord Villas during the Track Record Period amounted to HK$440.0 million, HK$104.2 million and nil for FY2015, FY2016 and FY2017, while revenue generated from the Components Trading Business amounted to HK$2.8 million, HK$274.5 million and nil for FY2015, FY2016 and FY2017.

Realord Investment Group had incurred a consolidated profit of approximately HK$8.2 million for FY2015 and a consolidated loss of approximately HK$8.3 million and HK$13.2 million for FY2016 and FY2017. Realord Investment Group changed from profit of approximately HK$8.2 million in FY2015 to loss of approximately HK$8.3 million was mainly attributable to the decrease in revenue arising from revenue generated from the property development business and increase in interest expenses net of the finance costs capitalized as development costs of the Properties by approximately HK$9.3 million, which was partly offset by the decrease in administrative expenses by approximately HK$13.0 million. The increase in a consolidated loss from HK$8.3 million for FY2016 to HK$13.2 million for FY2017 was mainly attributable to decrease in revenue, as well as increase in administrative expenses by approximately HK$1.3 million.

Liquidity and financial resources

Realord Investment Group mainly financed its operation and development of the Properties by bank borrowings, bonds, amounts due to directors and related companies during the Track Record Period. Realord Investment Group had bank borrowings of approximately HK$1,229.9 million, HK$1,371.3 million and HK$678.4 million as at 31 December 2015, 2016 and 2017 respectively, which were denominated in RMB, secured, repayable between 1 and 10 years and carried fixed interest rate of 4.35% to 7.68% per annum, 5.39% to 8.20% per annum and 4.79% to 8.10% per annum as at 31 December 2015, 2016 and 2017 respectively. In 2017, Shenzhen Weilu issued bonds in the PRC in the aggregate principal amount of RMB1,300 million (equivalent to approximately HK$1,560.9 million). The bonds were denominated in RMB, secured, matured on three years after the date of issue and bearing fixed interest ranging from 6.2% to 7.5% per annum. Further, the amounts due to directors and related parties by Realord Investment Group amounted to approximately HK$394.4 million, HK$391.7 million and HK$637.3 million in aggregate as at 31 December 2015, 2016 and 2017 respectively, which were denominated in RMB, unsecured, interest free and repayable on demand.

The gearing ratio of Realord Investment, which is calculated as a percentage of consolidated total liabilities to consolidated total assets, was approximately 98.7%, 98.8%, and 99.2% as at 31 December 2015, 2016 and 2017 respectively.

Assets and liabilities

The assets of the Target Group as at 31 December 2017 mainly comprised (i) the stock of properties (i.e. the Guanlan Property, the Guangming Property and the Guangming Land) of approximately HK$2,734.9 million; (ii) prepaid lease payments of approximately HK$13.5 million; (iii) trade and other receivables of approximately HK$181.6 million; (iv) bank balances and cash of approximately HK$47.1 million. The Staff Housings were accounted for as property, plant and equipment of the Target Group with a carrying value of approximately HK$2.0 million as at 31 December 2017. The liabilities of the Target Group as at 31 December 2017 mainly comprised (i) the current bank borrowings of approximately HK$678.4 million; (ii) bonds issued by Shenzhen Weilu with carrying value of HK$1,560.9 million; (iii) amounts due to directors and related companies of the Target Group of approximately HK$637.3 million; and (iv) trade and other payables of approximately HK$71.4 million, which was mainly represented to the accrued expenditure in relation to the construction activities of approximately HK$19.1 million and other tax payables of approximately HK$48.3 million.

Charge on assets

The credit facilities of Realord Investment Group were secured by the stock of properties of approximately HK$2,027.5 million, HK$2,307.4 million and HK$2,734.9 million as at 31 December 2015, 2016 and 2017 respectively. Realord Investment Group also pledged the bank deposits of approximately HK$48.9 million, HK$62.6 million and HK$0.2 million as at 31 December 2015, 2016 and 2017 respectively and prepaid lease payments for approximately HK$14.1 million, HK$12.8 million and HK$13.5 million as at 31 December 2015, 2016 and 2017 respectively for its credit facilities.

Foreign exchange rate risk

The assets and liabilities of Realord Investment Group were mainly denominated in RMB and presented in HK$ in its financial statements. During the Track Record Period, Realord Investment Group monitored its foreign currency exposure but it neither hold any foreign exchange hedging policies nor used any financial instruments for hedging purpose.

Significant investments, material acquisitions or disposals

Save for the Reorganisation, Realord Investment Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Track Record Period.

Contingent liabilities

As at 31 December 2015, 2016 and 2017, Realord Investment Group did not have any material contingent liabilities.

Employment and remuneration policies

Realord Investment Group had 14, 7 and 21 staff as at 31 December 2015, 2016 and 2017 respectively. Among which, 8, nil and nil staff was responsible for the Components Trading Business and 6, 6 and 6 staff was responsible for overseeing the property development business as at 31 December 2015, 2016 and 2017 respectively.

During the Track Record Period, the remuneration paid to directors and staff of Realord Investment Group amounted to approximately HK$1,114,000, HK$315,000 and HK$801,000 for FY2015, FY2016 and FY2017 respectively. Their remuneration mainly composed salaries and retirement benefits scheme contributions and was reference to the market terms and individual merits.

Future plans

There was no specific plan of Realord Investment Group for material investments and acquisition of material capital assets as at 31 December 2015, 2016 and 2017 respectively.

After completion of the construction and development of the Guanlan Property and the Guangming Property in 2017, Realord Investment Group has not engaged in property development. After Completion, the Target Group will exclude property development from its business scope under its business licence, and Company will hold the Guanlan Property and the Guangming Property for rental purpose only. The Staff Housings will remain as it is for staff quarter purpose. It is expected that the lease of Guangming Property and the commercial building of the Guanlan Property will commence in first quarter of 2018 while that of the retail shop of the Guanlan Property in second quarter of 2018. The existing six staff of Realord Investment Group, which previously responsible for overseeing the property development, will be responsible for overseeing the leasing of the Guanlan Property and Guangming Property after Completion. The Guangming Land, which is currently a bare land, is intended to be held as investment assets of the Enlarged Group, no development plan thereof as at the Latest Practicable Date.

1. INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated financial information of the Enlarged Group as enlarged by the Acquisition (the "**Unaudited Pro Forma Consolidated Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the Group as enlarged by the Acquisition.

The Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 30 June 2017 or at any future date, or the consolidated results and cash flows of the Enlarged Group for the year ended 31 December 2016 or for any future period.

The Unaudited Pro Forma Consolidated Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report and interim report of the Company for the year ended 31 December 2016 and six months ended 30 June 2017, respectively.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2017 is prepared as if the Acquisition had taken place on 30 June 2017 and is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017, which has been extracted from the published interim report of the Company for the six months ended 30 June 2017; and (ii) the audited statements of financial position of Realord Ventures and Manureen Ventures and the audit consolidated statement of financial position of Realord Investment Group as extracted from the Accountants' Report of Realord Ventures, Manureen Ventures and Realord Investment Group as set out in Appendices II, III and IV to this circular respectively; after making pro forma adjustments that are (a) directly attributable to the Acquisition; and (b) factually supportable.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2016 are prepared as if the Acquisition had taken place on 1 January 2016 and are based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2016, which have been extracted from the published annual report of the Company for the year ended 31 December 2016; and (ii) the audited consolidated statement of profit or loss and other comprehensive income of Realord Investment Group and the audited consolidated statement of cash flows of Realord Investment Group for the year ended 31 December 2016 as extracted from the Accountants' Report of Realord Investment as set out in Appendix IV to this circular, after making pro forma adjustments that are (a) directly attributable to the Acquisition; and (b) factually supportable.

The Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group after the Acquisition should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, and the historical financial information of Realord Venutres, Manureen Ventures and Realord Investment Group as set out in the Appendices II, III and IV to this circular respectively and other financial information included elsewhere in this circular.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position

	The Group as at 30 June 2017	**Realord Ventures 31 December 2017**	**Manureen Ventures 31 December 2017**	**Realord Investment Group as at 31 December 2017**	**Pro forma adjustments**							**The Enlarged Group as at 30 June 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 2*		*Notes*	*Note 6*	*Note 7*	*Note 8*	*Note 9*	*Note 12*	
Non-current assets												
Property, plant and equipment	97,833	–	–	2,715	–		–	–	–	–	–	100,548
Investment properties	1,273,376	–	–	–	–		–	–	–	6,498,331	872,933	8,644,640
Prepaid lease payments	5,177	–	–	13,154	–		–	–	–	–	–	18,331
Goodwill	34,440	–	–	–	–		–	–	–	–	–	34,440
Other intangible asset	4,400	–	–	–	–		–	–	–	–	–	4,400
Intangible asset	–	–	–	–	–		–	–	–	–	–	–
Finance lease receivables	5,575	–	–	–	–		–	–	–	–	–	5,575
Available-for-sale investments	13,844	–	–	–	–		–	–	–	–	–	13,844
Deferred tax assets	188	–	–	–	–		–	–	–	–	–	188
Prepayments and deposits	36,460	–	–	–	–		–	–	–	–	–	36,460
Interest in a joint venture	–	6	2	–	(8)	5	–	–	–	–	–	–
	1,471,293	6	2	15,869	(8)		–	–	–	(6,498,331)	872,933	8,858,426
Current assets												
Inventories	107,650	–	–	–	–		–	–	–	–	–	107,650
Stock of properties	–	–	–	2,734,879	3,755,847	5	–	7,605	–	(6,498,331)	–	–
Prepaid lease payments	115	–	–	327	–		–	–	–	–	–	442
Trade receivables	71,662	–	–	177,889	–		–	–	–	–	–	249,551
Receivables arising from securities broking	132,623	–	–	–	–		–	–	–	–	–	132,623
Prepayments, deposits and other receivables	87,514	–	–	3,719	–		–	–	–	–	–	91,233
Amounts due from related party(ies)	21,568	2	6	8	–		–	–	–	–	–	21,584
Finance lease receivables	2,779	–	–	–	–		–	–	–	–	–	2,779
Tax recoverable	47	–	–	–	–		–	–	–	–	–	47
Equity investments at fair value through profit or loss	25,550	–	–	–	–		–	–	–	–	–	25,550
Bank balance held on behalf of clients	16,406	–	–	–	–		–	–	–	–	–	16,406
Restricted bank balance	4,312	–	–	161	–		(161)	–	–	–	–	4,312
Cash and cash equivalents	82,294	–	–	47,064	(600,350)	3	(2,901,994)	(7,605)	3,455,280	–	–	74,689
	552,520	2	6	2,964,047	3,155,497		(2,902,155)	–	3,455,280	(6,498,331)	–	726,866

	The Group as at 30 June 2017	Realord Ventures 31 December 2017	Manureen Ventures 31 December 2017	Realord Investment Group as at 31 December 2017	Pro forma adjustments							The Enlarged Group as at 30 June 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 2*		*Notes*	*Note 6*	*Note 7*	*Note 8*	*Note 9*	*Note 12*	
Current liabilities												
Trade payables	45,416	–	–	4	–		–	–	–	–	–	45,420
Payables arising from securities broking	36,189	–	–	–	–		–	–	–	–	–	36,189
Other payables and accruals	89,907	–	–	71,403	–		(19,092)	–	–	–	–	142,218
Interest–bearing bank borrowings	270,248	–	–	678,405	–		(678,405)	–	–	–	–	270,248
Tax payable	3,000	–	–	2,553	–		–	–	–	–	–	5,553
Amounts due to related parties	–	–	–	89,793	–		(89,793)	–	–	–	–	–
Amounts due to shareholders	–	–	–	547,519	–		(547,519)	–	–	–	–	–
Finance lease obligations	–	–	–	1,932	–		(1,932)	–	–	–	–	–
	444,760	–	–	1,391,609	–		(1,336,741)	–	–	–	–	499,628
Net current assets (liabilities)	107,760	2	6	1,572,438	3,155,497		(1,565,414)	–	3,455,280	(6,498,331)	–	227,238
Total assets less current liabilities	1,579,053	8	8	1,588,307	3,155,497		(1,565,414)	–	3,455,280	–	872,993	9,085,664
Non-current liabilities												
Interest–bearing bank borrowings	–	–	–	–	–		–	–	3,455,280	–	–	3,455,280
Bonds	–	–	–	1,560,931	–		(1,560,931)	–	–	–	–	–
Deferred tax liabilities	216,751	–	–	–	–		–	–	–	–	–	216,751
Loans from ultimate holding company	322,255	–	–	–	–		–	–	–	–	–	322,255
Other payable	12,775	–	–	–	–		–	–	–	–	–	12,775
Finance lease obligations	–	–	–	4,483	–		(4,483)	–	–	–	–	–
Promissory note payables	–	–	–	–	1,950,435	3	–	–	–	–	–	1,950,435
	551,781	–	–	1,565,414	1,950,435		(1,565,414)	–	3,455,280	–	–	5,957,496
Net assets (liabilities)	1,027,272	8	8	22,893	1,205,054		–	–	–	–	872,993	3,128,168
Capital and reserves												
Share capital	115,000	8	8	8	28,076	3, 4 & 5	–	–	–	–	–	143,100
Reserves	892,373	–	–	22,885	1,176,978	3, 4 & 5	–	–	–	–	872,993	2,965,169
Equity attributable to owners of the Company	1,007,373	8	8	22,893	1,205,054		–	–	–	–	872,993	3,108,269
Non-controlling interests	19,899	–	–	–	–		–	–	–	–	–	19,899
Total equity	1,027,272	8	8	22,893	1,205,054		–	–	–	–	872,993	3,128,168

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement Profit or Loss and other Comprehensive Income

		Pro forma adjustments						
	The Group for the year ended 31 December 2016	**Realord Investment Group for the year 31 December 2017**						**The Enlarged Group for the year ended 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 8*	*Note 10*	*Note 11*	*Note 12*	*Note 13*	
Revenue	209,784	–	–	–	–	–	–	209,784
Cost of sales	(118,785)	–	–	–	–	–	–	(118,785)
Gross profit	90,999	–	–	–	–	–	–	90,999
Other income, gains and losses	289,661	2,243	–	–	(603)	872,933	–	1,164,234
Selling and distribution expenses	(3,911)	(421)	–	–	–	–	–	(4,332)
Administrative expenses	(123,457)	(4,255)	–	–	–	–	–	(127,712)
Other operating expenses	(25,270)	–	–	–	–	–	–	(25,270)
Finance costs	(19,847)	(10,769)	(310,975)	(270,318)	603	–	10,769	(600,537)
Profit (loss) before tax	208,175	(13,202)	(310,975)	(270,318)	–	872,933	10,769	497,382
Income tax expense	(128,078)	–	–	–	–	–	–	(128,078)
Profit (loss) for the year	80,097	(13,202)	(310,975)	(270,318)	–	872,933	10,769	369,304
Other comprehensive (expense) income for the year								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of functional currency to presentation currency	–	2,132	–	–	–	–	–	2,132

	The Group for the year ended 31 December 2016	Realord Investment Group for the year 31 December 2017	Pro forma adjustments					The Enlarged Group for the year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 8*	*Note 10*	*Note 11*	*Note 12*	*Note 13*	
Item that may be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	(29,465)	–	–	–	–	–	–	(29,465)
Other comprehensive (expense) income for the year	(29,465)	2,132	–	–	–	–	–	(27,333)
Total comprehensive income (expense) for the year	50,632	(11,070)	(310,975)	(270,318)	–	872,933	10,769	341,971
Profit (loss) for the year attributable to:								
Owners of the Company	80,097	(13,202)	(310,975)	(270,318)	–	872,933	10,769	369,304
Non–controlling interest	–	–	–	–	–	–	–	–
	80,097	(13,202)	(310,975)	(270,318)	–	872,933	10,769	369,304
Total comprehensive income (expense) for the year attributable to:								
Owners of the Company	50,632	(11,070)	(310,975)	(270,318)	–	872,933	10,769	341,971
Non–controlling interest	–	–	–	–	–	–	–	–
	50,632	(11,070)	(310,975)	(270,318)	–	872,933	10,769	341,971

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Cash Flows

		Pro forma adjustments									
	The Group for the year ended 31 December 2016	**Realord Investment Group 31 December 2017**									**The Enlarged Group for the year ended 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 6*	*Note 7*	*Note 8*	*Note 10*	*Note 11*	*Note 12*	*Note 13*	
OPERATING ACTIVITIES											
Profit (loss) before taxation	208,175	(13,202)	–	–	–	(310,975)	(270,318)	–	872,993	10,769	497,382
Adjustments for :											
Finance costs	19,847	10,769	–	–	–	310,975	270,318	(603)	–	(10,769)	600,537
Interest income from margin financing	(8,553)	–	–	–	–	–	–	–	–	–	(8,553)
Bank interest income	(993)	(2,076)	–	–	–	–	–	–	–	–	(3,069)
Finance lease interest income	(662)	–	–	–	–	–	–	603	–	–	(59)
(Gain) loss on disposal of items of property, plant and equipment	(5)	10	–	–	–	–	–	–	–	–	5
Loss on disposal of equity investments at fair value through profit or loss	7,936	–	–	–	–	–	–	–	–	–	7,936
Fair value gain on equity investments at fair value through profit or loss	(6,977)	–	–	–	–	–	–	–	–	–	(6,977)
Depreciation	9,085	554	–	–	–	–	–	–	–	–	9,639
Impairment of trade receivables	73	–	–	–	–	–	–	–	–	–	73
Changes in fair value of investment properties	(270,479)	–	–	–	–	–	–	–	–	–	(270,479)
Revaluation deficit on property, plant and equipment	17,261	–	–	–	–	–	–	–	–	–	17,261
Equity-settled share option expenses	10,609	–	–	–	–	–	–	–	–	–	10,609
Release of prepaid lease payments	–	314	–	–	–	–	–	–	–	–	314
Operating cash flows before movements in working capital	(14,683)	(3,631)	–	–	–	–	–	–	872,993	–	854,619
Decrease in inventories	885	–	–	–	–	–	–	–	–	–	885
Increase in stock of properties	–	(313,894)	–	–	–	–	–	–	–	–	(313,894)
(Increase) decrease in trade receivables	(40,909)	251,093	–	–	–	–	–	–	–	–	210,184
Increase in receivables arising from securities broking	(3,402)	–	–	–	–	–	–	–	–	–	(3,402)
Increase in prepayments, deposits and other receivables	(33,093)	(1,117)	–	–	–	–	–	–	–	–	(34,210)
Increase in cash held on behalf of clients	(1,191)	–	–	–	–	–	–	–	–	–	(1,191)
Increase in restricted cash	(4,171)	–	–	–	–	–	–	–	–	–	(4,171)
Increase in equity investments at fair value through profit or loss	(4,961)	–	–	–	–	–	–	–	–	–	(4,961)
Decrease in trade payables	(200)	(886,587)	–	–	–	–	–	–	–	–	(886,787)
Decrease in payables arising from securities broking	(7,554)	–	–	–	–	–	–	–	–	–	(7,554)
Increase in accrued liabilities and other payables	3,012	(36,002)	–	–	–	–	–	–	–	–	(32,990)
Cash used in from operations	(106,267)	(990,138)	–	–	–	–	–	–	872,993	–	(223,472)
Interest received	9,546	–	–	–	–	–	–	–	–	–	9,546
Interest paid	(19,847)	–	–	–	–	–	–	–	–	–	(19,847)
Income tax recovered	51	–	–	–	–	–	–	–	–	–	51
NET CASH USED IN OPERATING ACTIVITIES	(116,517)	(990,138)	–	–	–	–	–	–	872,993	–	(233,722)

	The Group for the year ended 31 December 2016	Realord Investment Group 31 December 2017	Pro forma adjustments								The Enlarged Group for the year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 6*	*Note 7*	*Note 8*	*Note 10*	*Note 11*	*Note 12*	*Note 13*	
INVESTING ACTIVITIES											
Purchase of items of property, plant and equipment	(22,845)	(63)	–	–	–	–	–	–	–	–	(22,908)
Proceeds from disposal of items of property, plant and equipment	52	–	–	–	–	–	–	–	–	–	52
Acquisition of assets through acquisition of subsidiaries	(305,368)	–	(600,350)	(2,901,994)	(7,605)	–	–	–	–	–	(3,815,317)
Increase in finance lease receivables	(2,323)	–	–	–	–	–	–	–	–	–	(2,323)
Receipt of finance lease receivables	1,528	–	–	–	–	–	–	–	–	–	1,528
Interest received	–	2,076	–	–	–	–	–	–	–	–	2,076
Advance to related parties	–	(120,277)	–	–	–	–	–	–	–	–	(120,277)
Repayment from related parties	–	120,288	–	–	–	–	–	–	–	–	120,288
Placement of pledged bank deposits	–	(461,556)	–	–	–	–	–	–	–	–	(461,556)
Withdrawal of pledged bank deposits	–	523,704	–	–	–	–	–	–	–	–	523,704
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(328,956)	64,172	(600,350)	(2,901,994)	(7,605)	–	–	–	–	–	(3,774,733)
FINANCING ACTIVITIES											
New bank loans	288,928	379,445	–	–	–	3,455,280	–	–	–	–	4,123,653
Repayment of bank loans	(233,999)	(1,105,053)	–	–	–	–	–	–	–	–	(1,339,052)
Increase in a loan from ultimate holding company	241,596	–	–	–	–	–	–	–	–	–	241,596
Repurchase of shares	(17,556)	–	–	–	–	–	–	–	–	–	(17,556)
Interest paid	–	(172,856)	–	–	–	(310,975)	(174,969)	–	–	172,856	(485,944)
Repayment to related parties	–	(82,447)	–	–	–	–	–	–	–	–	(82,447)
Advance from directors	–	714,084	–	–	–	–	–	–	–	–	714,084
Repayment to directors	–	(374,476)	–	–	–	–	–	–	–	–	(374,476)
Repayment to a supplier	–	(20,891)	–	–	–	–	–	–	–	–	(20,891)
Repayment of finance lease obligation	–	(2,802)	–	–	–	–	–	–	–	–	(2,802)
Issuance of bonds	–	1,634,607	–	–	–	–	–	–	–	–	1,634,607
NET CASH FROM (USED IN) FINANCING ACTIVITIES	278,969	969,611	–	–	–	3,144,305	(170,424)	–	–	172,856	4,390,772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(166,504)	43,645	(600,350)	(2,901,994)	(7,605)	3,144,305	(170,424)	–	872,993	172,856	382,317
CASH AND CASH EQUIVALENTS AT 1 JANUARY	210,541	2,104	–	–	–	–	–	–	–	–	212,645
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(845)	1,315	–	–	–	–	–	–	–	–	470
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	43,192	47,064	(600,350)	(2,901,994)	(7,605)	3,144,305	(170,424)	–	872,993	172,856	595,432

Notes to the Unaudited Pro Forma Consolidated Financial Information

1. The unadjusted consolidated statement of financial position of the Group as at 30 June 2017 is extracted from the published interim report of the Company for the six months ended 30 June 2017. The unadjusted consolidated statement of profit or loss and other comprehensive income and the unadjusted consolidated statement of cash flows of the Group for the year ended 31 December 2016 are extracted from the published annual report of the Company for the year ended 31 December 2016.

2. The statements of financial position of Realord Ventures and Manureen Ventures and the consolidated statement of financial position of Realord Investment Group as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income of Realord Investment Group and the consolidated statement of cash flows of Realord Investment Group for the year ended 31 December 2017 are extracted from the Accountants' Report of Realord Ventures, Manureen Ventures and Realord Investment Group which have been prepared under HKFRSs and using accounting policies materially consistent with those of the Group as set out in Appendices II, III and IV to this circular respectively, with certain reclassification being made to be in line with presentation of the consolidated financial statements of the Group where appropriate.

3. The adjustments represent the consideration to be paid by the Group with respect to the Acquisition (the "**Total Consideration**"). Pursuant to the acquisition agreement, the Total Consideration comprises:

   (i) cash consideration between RMB3,000,000,000 and RMB3,600,000,000 (equivalent to approximately HK$3,455,280,000 and HK$4,146,336,000, based on the exchange rate of RMB1 to HK$1.15176 as at 30 June 2017) (the "**Cash Consideration**");

   (ii) 280,998,482 consideration shares of the Company to be allotted at completion date (the "**Consideration Shares**");

   (iii) promissory note of an amount between RMB1,364,055,352 and RMB1,964,055,352 (equivalent to approximately HK$1,571,064,000 and HK$2,262,120,000, based on the exchange rate of RMB1 to HK$1.15176 as at 30 June 2017) plus Ancillary Net Items (as defined in the Circular) shown on the completion account of Realord Investment Group (the "**First Tranche Promissory Notes**"). As at 31 December 2017, the Ancillary Net Items amounted to RMB106,150,579 (equivalent approximately HK$127,455,000, based on the exchange rate of RMB1 to HK$1.2007 as at 31 December 2017); and

   (iv) promissory note of RMB100,000,000 (equivalent to approximately HK$115,176,000, based on the exchange rate of RMB1 to HK$1.15176 as at 30 June 2017) (the "**Second Tranche Promissory Notes**")

   Pursuant to the acquisition agreement, the exact amount of the Cash Consideration and the portion of the Total Consideration to be settled by way of the First Tranche Promissory Notes shall be determined by the Company at its discretion before Completion. For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, it is the assumed that the Cash Consideration would be RMB3,000,000,000 and there will be no change in amount of the Ancillary Net Items at the date of completion, and thus the portion of the Total Consideration to be settled by the First Tranche Promissory Notes would be RMB2,070,205,931 (equivalent to approximately HK$2,384,380,000, based on the exchange rate of RMB1 to HK$1.15176 as at 30 June 2017).

An analysis of the pro forma fair value of the consideration of the Acquisition assuming the Acquisition had taken place on 30 June 2017 is set out as follows:

	Pro forma fair value as at 30 June 2017
	HK$'000
Cash Consideration*	3,455,280
Consideration Shares	1,227,963
First Tranche Promissory Notes	1,862,471
Second Tranche Promissory Notes	87,964
Total Consideration	6,633,678

The fair value of the Consideration Shares is calculated based of HK$4.37 per share, being the closing market price of the Company's ordinary share at 30 June 2017.

The promissory note is to be issued by the Company bearing at an interest rate of 7% per annum, payable annually in arrears, and with maturity period of 5 years. At initial recognition, the pro forma fair value of the First Tranche Promissory Notes and Second Tranche Promissory Notes (collectively referred as the "Promissory Notes") is estimated based on the valuation report issued by an independent valuer, which is measured at the present value of contractual future cash flows discounted at the effective interest rate of 13.86% per annum, taking into account the credit standing of the Company and the remaining time to maturity. In terms of the Promissory Notes, the Company has an option to redeem all or part of the outstanding principal amount of the Promissory Notes at any time prior to the maturity date, provided that each redemption shall be made in the principal amount of not less than RMB1,000,000 (equivalent to approximately HK$1,152,000, based on the exchange rate of RMB1 to HK$1.15176) (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Notes is less than RMB1,000,000 (equivalent to approximately HK$1,152,000, based on the exchange rate of RMB1 to HK$1.15176). In the opinion of Directors, the fair value of the early redemption is insignificant. The fair value of the Promissory Notes and the early redemption option embedded derivative is subject to change at completion date.

* Pursuant to the acquisition agreement, the Cash Consideration will be payable first in the form of the Shareholder's Loan to be provided by the Company to the Target Group for the full settlement of the Target's Outstanding Debts as at the date of Completion on a dollar for dollar basis. Shall there be surplus of the Cash Consideration after full settlement of the Target's Outstanding Debts, the balance of the Cash Consideration will be payable to the Vendors directly as part payment of the Cash Consideration. For the purpose of Unaudited Pro Forma Consolidated Financial Information, it is assumed that the Shareholder's Loan would be approximately HK$2,854,930,000 as at 31 December 2017(see Notes 6) and HK$600,350,000 will be payable to the Vendors directly as part payment of the Cash Consideration.

As the businesses and components of net assets of Realord Investment Group as at 1 January 2016 were significantly different from that of 30 June 2017, and the Total Consideration is determined based on latest information and latest share price which is considered more relevant to the investors and users of this investment circular in relation to this transaction, for simplicity and for the purpose of preparing the pro forma cash flow statement and statement of profit or loss and other comprehensive income, it is assumed:

1. the portion of Total Consideration as at 1 January 2016 is assumed to be the same as that of 30 June 2017;

2. the fair value of the Properties as of 1 January 2016 is the same as that of 31 December 2017, which is also assumed to be the same as that of 30 June 2017.

4. The adjustments represent the effects of (i) increase in share capital and share premium of the Company of HK$28,100,000 and HK$1,199,863,000 pursuant to issuance of to the Consideration Shares and (ii) elimination of the share capital of Realord Ventures, Manureen Ventures and Realord Investment and the reserves of Realord Investment Group.

5. The adjustments represent the allocation of the pro forma purchase consideration to the Realord Investment Group's identifiable assets and liabilities acquired, as if the Acquisition had taken place on 30 June 2017. The pro forma allocation of purchase consideration to the identifiable assets and liabilities of Realord Investment Group has been based upon management's preliminary estimates of their relative fair values and certain assumptions with respect to the assets to be acquired and the liabilities to be assumed. The actual fair values of the assets and liabilities will be determined as of the completion and may differ materially from the amounts disclosed below in the preliminary pro forma purchase price allocation. Consequently, the final amount of the identifiable assets and liabilities, as well as the fair value of the consideration to be recognised in connection with the Acquisition at Completion could be materially different from the estimated amount stated herein. The pro forma adjustment to the identifiable assets and liabilities arising from Acquisition is calculated as follows:

	HK$'000
Pro forma fair value of consideration *(see Note 3 above)*	6,633,678
Less: Shareholder's Loan *(see Note 6 below)*	(2,854,930)
	3,778,748
Carrying amount of net assets of Realord Ventures	(8)
Carrying amount of net assets of Manureen Ventures	(8)
Carrying amount of net assets of the Realord Investment Group (excluding capital)	(22,885)
Pro forma adjustment stock of properties	3,755,847

6. The adjustments represent the repayment of Target's Outstanding Debts (as defined in the Circular) of HK$2,854,930 as of 31 December 2017, which is calculated as follows:

	HK$'000
Accrued expenditure on construction	19,092
Amounts due to related companies	89,793
Amounts due to directors	547,519
Bank borrowings	678,405
Finance lease obligations	6,415
Bonds	1,560,931
	2,902,155
Less:	
Pledged bank deposits held by Realord Investment Group	(161)
Amount to be settled by Realord Investment Group	2,901,994
Less:	
Bank balances and cash held by Realord Investment Group	(47,064)
Shareholder's loan	2,854,930

7. The adjustment represents payment for estimated transaction costs on the Acquisition of approximately HK$7,605,000 in cash, which is included as the cost of Properties. This adjustment is not expected to have a continuing effect on the Enlarged Group.

8. Pursuant to the Acquisition Agreement, the Company's Cash Consideration shall be financed by pre-condition external borrowings of RMB3,000,000,000 (equivalent to approximately HK$3,455,280,000, based on the exchange rate of RMB1 to HK$1.15176) as at 30 June 2017.

   For the purpose of Unaudited Pro Forma Consolidated Financial Information, it is assumed that the interest rate of the borrowing is 9% per annum, which is based on the interest rate of the relevant entity's bank borrowings. Therefore, it is assumed that interest expense amounting to HK$310,975,000 arising from the external borrowings at 9% interest rate will be paid arrears assuming the Acquisition had taken place on 1 January 2016.

9. The adjustment represents the reclassification of stock of properties to investment properties as the Enlarged Group intends to hold the properties for rental purpose.

10. Assuming the Proposed Acquisition had taken place on 1 January 2016, the interest expense arising from issuance of the Promissory Notes as described in Note 3 are recognised as follows:

	HK$'000
Effective interest expense from the Promissory Notes of 13.86% per annum	270,318

   Pursuant to the Acquisition Agreement, 7% coupon payment of the Promissory Notes amounting to approximately HK$174,969,000 will be paid in arrears assuming the Acquisition had taken place on 1 January 2016.

11. The adjustment represents the elimination of finance lease expense charged by the Company to Realord Investment Group assuming the Acquisition had taken place on 1 January 2016.

12. The adjustment represents the difference between (i) the consideration and transaction costs paid for the Properties and (ii) their fair value, which is recognised in the profit or loss.

13 The adjustment represents the reversal of finance costs incurred by Realord Investment Group and the related interest paid assuming the settlement of the Outstanding Debts had taken place on 1 January 2016 pursuant to the Acquisition.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from Deloitte Touche Tohmatsu, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Realord Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Realord Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages V-2 to V-11 of the circular issued by the Company dated 23 March 2018 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-12 to V-14 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited, which collectively own the entire 100% equity interest in Realord Investment Limited (the "**Acquisition**") on the Group's consolidated financial position as at 30 June 2017 and the Group's consolidated financial performance and cash flows for the year ended 31 December 2016 as if the transaction had taken place on 30 June 2017 and 1 January 2016 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2017, on which no auditor's review report has been published and information about the Group's financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2016, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23 March 2018

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent property valuer, in connection with its opinion of value of the Properties as at 31 December 2017.

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139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

23 March 2018

Realord Group Holdings Limited
Suites 2403-2410, 24/F, Jardine House,
1 Conaught Place,
Central, Hong Kong

Dear Sir/Madam,

Re: Valuation of Various Properties in the People's Republic of China

In accordance with the instructions from Realord Group Holdings Limited (the "**Company**") for us to value various properties in the People's Republic of China (the "**PRC**") that are exhibited to us as held by Realord Investment Limited and/or its subsidiaries ("**Realord Investment Group**"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2017 (the "**Date of Valuation**") for disclosure purpose.

1. BASIS OF VALUATION

Our valuations of the Properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuations have been carried out in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. VALUATION METHODOLOGY

In valuing the properties in Group I and Group II, which are held either for investment or own occupation, we have valued these properties by the direct comparison method assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The direct comparison method under the market approach is generally accepted as the most appropriate and best method in valuing properties for which there is established market comparable. As sufficient price information on comparable is available publicly, we considered it is appropriate to adopt the direct comparison method in our valuations.

3. TITLE INVESTIGATION

We have been provided by the Company with copies of title documents and a legal opinion dated 23 March 2018 prepared by 廣東華商律師事務所 (China Commercial (Law Firm, Guangdong), the Company's legal advisor on the PRC law (hereinafter referred to as the "**PRC Legal Advisor**"), regarding the title to and the interest in the Properties. We have not inspected the original of the title documents to verify the ownership and to ascertain the existence of any amendments that may not appear on the copies handed to us. All documents and leases have been used for reference only.

In the course of our valuation, we have relied on the advices given by the Company and the legal opinion of the PRC Legal Advisor regarding the title to and the interest in the Properties. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the Properties that is assumed to be good and marketable.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the Properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no allowance has been made for the Properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the Properties on 22 September 2017 and 2 March 2018. No structural survey has been made in respect of the Properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the Properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

7. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (“**RMB**”).

Summary of Values is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

William C. K. Sham
MHKIS, MRICS, MCIREA
Registered Professional Surveyor (G.P.)
China Real Estate Appraiser
Director

Notes:

1) *William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 35 years’ experience in the valuation of properties in Hong Kong and has over 20 years’ experience in the valuation of properties in Macau, Taiwan, the People’s Republic of China and the Asia Pacific region.*

2) *The Properties were inspected on 22 September 2017 and reinspected on 2 March 2018 by Mr. Ken W. C. Tsang, the Assistant Manager. Mr. Tsang obtained the Degree of Associate of Science in Facilities Management from City University of Hong Kong in 2007 and has more than 13 years’ experience in the inspection and valuation of properties in Hong Kong and the PRC.*

SUMMARY OF VALUES

Property		Market Value in Existing State as at 31 December 2017
Group I – Properties held by Realord Investment Group for investment		
1.	A block of commercial/apartment building, all retail shops and car parking spaces of Realord Villas, Guanlan High-Tech Industrial Park, Guanlan, Longhua New District, Shenzhen, the PRC (the "**Guanlan Property**")	RMB3,480,000,000
2.(i)	A commercial property project developed on a parcel of land situated on the southwestern side of Jufeng Road, Guangming High-Tech Industrial Park, Guangming New District, Shenzhen, the PRC (the "**Guangming Property**")	RMB2,920,000,000
2.(ii)	A bare land situated off the southwestern side Jufeng Road, Guangming High-Tech Industrial Park, Guangming New District, Shenzhen, the PRC (the "**Guangming Land**")	Nominal value
	Sub-total:	RMB6,400,000,000
Group II – Property held and occupied by Realord Investment Group		
3.	Units 1101 and 1401 of Block D of Tower 2 and Units 1201 and 1301 of Block E of Tower 3, Fu Bao Gui Hua Yuan, No. 19 Gui Hua Road, Futian Free Trade Zone, Shenzhen, the PRC (the "**Staff Housing**")	No commercial Value
	Sub-total:	No commercial Value
	Grand Total:	**RMB6,400,000,000**

VALUATION REPORT

Group I – Properties held by Realord Investment Group for Investment

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
1.	A block of commercial/apartment building, all retail shops and car parking spaces of Realord Villas, Guanlan High-Tech Industrial Park, Guanlan, Longhua New District, Shenzhen, the PRC (i.e. the Guanlan Property)	The property comprises the commercial/apartment building, the retail shops and all 1,012 car parking spaces of the commercial/communal podium of Realord Villas. The total gross floor area of the property (excluding the car park) is approximately 51,039.21 sq.m.. The land use rights of the property have been granted for a term of 70 years from 10 October 2012 to 9 October 2082 for domestic use. Realord Villas, completed in 2017, is a mixed residential and commercial development located on the southern side of Huanguan South Road within Guanlan High-Tech Industrial Park of Guanlan. Realord Villas consists of 6 blocks of high-rise residential building erected over a 4-storey (including two basement levels) communal podium, which accommodates retail shops, a bus terminal, a car park and other communal facilities, 1 block of high-rise commercial/apartment building and a 3-storey nursery.	The property was vacant as at the Date of Valuation.	RMB3,480,000,000

Notes:

1. Pursuant to a Certificate of Real Estate Ownership 深房地字第 5000593762號 (Shen Fang Di Zi No. 5000593762) registered on 22 October 2013 at Shenzhen Municipal Real Estate Property Ownership Registration Centre, the land use rights of the land in the property with a site area of approximately 329,870.14 sq.m. have been granted to 深圳市夏浦光電技術有限公司 (Shenzhen Sherpe Photoelectricity Technology Co. Ltd, hereinafter referred to as "**Shenzhen Sherpe**") for domestic uses for a term of 70 years commencing from 10 October 2012 to 9 October 2082. It is stated in the said certificate that the nature of the land are commodity commercial and non-commodity residential uses.

2. Pursuant to the Planning Permit for Construction Works 深規土建許字 LA-2013-0013號 (Shen Gui Du Jian Xu Zi LA-2013-0013) dated 22 April 2013 issued by Shenzhen Municipal Planning and Stated-owned Land Resources Commission Longhua Administration Bureau, the construction works for the proposed development, having a plot ratio gross floor area of 197,170.67 sq.m. plus the gross floor area not included in the plot ratio calculation of 33,330.47 sq.m. were in compliance with the planning requirements.

3. Pursuant to the 建設工程規劃驗收合格證 (Certificate of Construction Works Planning Compliance) 深規土建許字 LA-2017-0009號 (Shen Gui Du Jian Xu Zi LA-2017-0009) dated 18 May 2017 issued by Shenzhen Municipal Planning and Stated-owned Land Resources Commission Longhua Administration Bureau, the construction works for the subject development, having a plot ratio gross floor area of 197,041.33 sq.m. plus the gross floor area not included in the plot ratio calculation of 33,903.66 sq.m. were in compliance with the planning requirements.

4. The opinion of the PRC Legal Advisor is summarized as follows:

   a. Shenzhen Sherpe is a company duly formed and validly existing under the laws of the PRC.

   b. Shenzhen Sherpe is currently in possession of the proper legal title to the land use rights of the property with the land grant premium settled in full.

   c. The construction of Realord Villas has been completed with Certificate of Construction Works Planning Compliance issued.

   d. The land use rights of the subject land parcel is not subject to any seizure, mortgage, guarantee and any third party rights or litigation. Besides, the land use rights are not subject to any harsh or unusual commitments, conditions, restrictions, or notifications, instructions , or planned construction that may have adverse effects on the value.

   e. The land use rights and the planning and construction of the Realord Villas project are consistent with its approved use and does not violate any PRC law.

5. In the course of our valuation, we have relied on the information given by the Company and the aforesaid legal opinion and assume that the property is capable of being sold in the open market with the benefit of vacant possession.

6. The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Real Estate Ownership (Land)	Obtained
Planning Permit for Construction Land Use	Obtained
Planning Permit for Construction Works	Obtained
Commencement Permit for Construction Works	Obtained
Certificate of Construction Works Planning Compliance	Obtained

7 We have valued the property using direct comparison method with the assumption that the property is capable of being sold with immediate vacant possession and by making reference to sales prices of properties in the neighbourhood that have characteristics comparable to the property. The unit rates adopted by us for the different use types of the property, which are consistent with the relevant comparables after due adjustments, are as follows:

- RMB93,000 per sq.m. for retail use;
- RMB52,000 per sq.m. for commercial use;
- RMB53,000 per sq.m. for office/apartment use; and
- RMB400,000 per bay for car park use.

No.		Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
2.	(i)	A commercial property project developed on the southwestern side of Jufeng Road, Guangming High-Tech Industrial Park, Guangming New District, Shenzhen, the PRC (i.e. the Guangming Property)	Guangming Property, completed in about late 2017, occupies a site area of approximately 8,000.00 sq.m. and comprises 2 blocks of office building with the main building of 26 storeys and the ancillary building of 4 storeys erected over a basement car park accommodating 315 car parking spaces in the Realord Science Park.	The property was vacant as at the Date of Valuation.	RMB2,920,000,000 *(See Note 5 below)*
	(ii)	A bare land situated off the southwestern side Jufeng Road, Guangming High-Tech Industrial Park, Guangming New District, Shenzhen, the PRC (i.e. the Guangming Land)	The total gross floor area of the Guangming Property (excluding the basement car park) is approximately 53,973.00 sq.m.. The Guangming Land comprises a parcel of bare land with a site area of approximately 12,599.44 sq.m.. Currently, it is vacant. The land use rights of the Guangming Property and Guangming Land have been granted for a term of 50 years from 17 March 2009 to 16 March 2059 for industrial use.		

Notes:

1. Pursuant to the Contract for Grant of Land Use Rights 深地合字 (2009) 8003號 (Shen Di He Zi No. (2009) 8003) dated 17 March 2009 (hereinafter referred to as the "**Land Grant Contract**") entered into between Shenzhen Municipal State-owned Land Resources and Real Estate Administration Bureau and 深圳市偉祿科技股份有限公司 (Shenzhen Realord Technology Holdings Company Limited, hereinafter referred to as "Realord Technology") and the Additional Supplemental Agreement 深地協字 (2012) 78007號 (Shen Di Xie Zi No. (2012) 78007) dated 28 May 2012 (hereinafter referred to as the "**Supplemental Agreement**") entered into between 深圳市規劃和國土資源委員會光明管理局 (Shenzhen Municipal Planning and Stated-owned Land Resources Commission Guangming Administration Bureau) and Realord Technology, the land use rights of the property have been agreed to be granted to Realord Technology. Major conditions of the said contract as amended by the Supplemental Agreement are summarized as follows:

a.	Lot no.	: A508-0031;
b.	Site area of the lot	: 20,599.44 sq.m.;
c.	Term of land use rights	: 50 years from 17 March 2009 to 16 March 2059 for industrial use;
d.	Land grant consideration	: RMB13,206,100;
e.	Payment term	: The land grant premium shall be paid in a lump sum within 30 days from the date of signing the contract;
f.	Permitted uses	: For wholesaling/retailing, commercial/financial uses;
g.	Total gross floor area	: 51,499.00 sq.m., of which 51,499.00 sq.m. for industrial, research & development and ancillary uses;
h.	Plot ratio	: Not greater than 2.5;
i.	Site coverage	: Not greater than 40%;
j.	Building height	: Not higher than 60 metres;
k.	Construction period	: Construction shall be completed on or before 27 May 2014.

2. Pursuant to a Certificate of Real Estate Ownership 深房地字第5000394550號 (Shen Fang Di Zi No. 5000394550) registered on 20 August 2009 at Shenzhen Municipal State-owned Land Resources and Real Estate Administration Bureau, the land use rights of the subject land with a site area of approximately 20,599.44 sq.m. have been granted to Realord Technology for industrial use for a term of 50 years commencing from 17 March 2009 to 16 March 2059. It is stated in the said certificate that the nature of the land is for commodity housing.

3. Pursuant to the Planning Permit for Construction Works 深規土建許字 GM-2014-0003號 (Shen Gui Du Jian Xu Zi GM-2014-0003) dated 17 January 2014 issued by Shenzhen Municipal Planning and Stated-owned Land Resources Commission Guangming Administration Bureau, the construction works for the proposed buildings, having a plot ratio gross floor area of 53,948.05 sq.m. plus the gross floor area not included in the plot ratio calculation of 14,152.5 sq.m. were in compliance with the planning requirements.

4. Pursuant to the Certificate of Construction Works Planning Compliance 深規土建驗 GM-2017-0025號 (Shen Gui Du Jian Yan GM-2017-0025) dated 28 December 2017 issued by Shenzhen Municipal Planning and Stated-owned Land Resources Commission Guangming Administration Bureau, the construction works for the proposed research & development building, having a plot ratio gross floor area of 53,875.6 sq.m. plus the gross floor area not included in the plot ratio calculation of 14,127.9 sq.m. were in compliance with the planning requirements.

5. Pursuant to the Land Grant Contract and the Planning Permit for Construction Works mentioned above, we understand that the development of the Guangming Property have adopted all the permitted plot ratio in respect of the gross floor areas of the subject land and that no plot ratio in respect of the gross floor area is available for developing the Guangming Land. Hence, we consider that the market value of the Guangming Land will be nominal under the current planning requirements as stated in the Land Grant Contract and the relevant Planning Permit for Construction Works.

6. The opinion of the PRC Legal Advisor is summarized as follows:

   a. Realord Technology is a company duly formed and validly existing under the laws of the PRC.

   b. Realord Technology is currently in possession of the proper legal title to the land use rights of the property with the land grant premium settled in full.

   c. Phase I of the property has been developed in accordance with proper legal procedure.

   d. The land of the property is subject to a mortgage.

   e. The property is not subject to any seizure, guarantee and any third party rights or litigation.

7. In the course of our valuation, we have relied on the information given by the Company and the aforesaid legal opinion and assume that:

   a. The property is capable of being sold in the open market with the benefit of vacant possession; and

   b. There will not be any plot ratio in respect of the gross floor area available for developing the Guangming Land.

8. The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Contract for Grant of Land Use Rights	Signed
Certificate of Real Estate Ownership (Land)	Obtained
Planning Permit for Construction Land Use	Obtained
Planning Permit for Construction Works	Obtained
Commencement Permit for Construction Works	Obtained
Certificate of Construction Works Planning Compliance	Obtained

9. We have valued the property using direct comparison method with the assumption that the property is capable of being sold with immediate vacant possession and by making reference to sales prices of properties in the neighbourhood that have characteristics comparable to the property. The unit rates adopted by us for the different use types of the property, which are consistent with the relevant comparables after due adjustments, are as follows:

   - RMB51,700 per sq.m. for office use; and
   - RMB400,000 per bay for car park use.

Group II – Property held and occupied by Realord Investment Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
3.	Units 1101 and 1401 of Block D of Tower 2 and Units 1201 and 1301 of Block E of Tower 3, Fu Bao Gui Hua Yuan, No. 19 Gui Hua Road, Futian Free Trade Zone, Shenzhen, the PRC (i.e. the Staff Housing)	Fu Bao Gui Hua Yuan, completed in about 2010 is an affordable housing development formed by four high-rise residential towers with communal facilities including car park and a kindergarten. It is located on the southern side of Gui Hua Road within Futian Free Trade Zone of Shenzhen. The property comprises two units in Block D of Tower 2 and two units in Block E of Tower 3 of the subject development. The total gross floor area of the property is approximately 352.20 sq.m. The land use rights of the property have not been obtained.	The property was owner-occupied for staff quarters use as at the Date of Valuation.	No commercial value

Notes:

1. Pursuant to two acquisition contracts, Contract Nos. 深福房企人字 (2009) 第00123號 (Shen Fu Fang Qi Ren Zi (2009) No. 00123) and 深福房企人字(2009) 第00124號 (Shen Fu Fang Qi Ren Zi (2009) No. 00124) both dated 14 July 2009 and two acquisition contracts 深福房企人字 (2009)第00403號 (Shen Fu Fang Qi Ren Zi (2009) No. 00403) and 深福房企人字 (2009) 第00404號 (Shen Fu Fang Qi Ren Zi (2009) No. 00404) both dated 30 November 2009, the property, having a total gross floor area of 352.20 sq.m., was agreed to be sold to 深圳市偉祿科技股份有限公司 (unofficial translation being Shenzhen Realord Technology Holdings Company Limited, hereinafter referred to as "**Realord Technology**").

2. The opinion of the PRC Legal Advisor is summarized as follows:

   a. Realord Technology is a company duly formed and validly existing under the laws of the PRC.

   b. Realord Technology acquired the property in 2009 in conformity with legal provisions.

   c. The ownership of the property is vested in Realord Technology.

   d. The property is not subject to any seizure, mortgage, guarantee and any third party rights or litigation.

   e. The nature of the property is affordable housing and is not permitted to be transferred, leased and mortgaged before transforming its nature into commodity housing.

3. We have ascribed no commercial value to the property as Realord Technology is currently not entitled to transfer the property freely in the market. For reference purpose, had full property interest been obtained by Realord Technology upon transformation of the property from affordable housing to commodity housing in accordance with the procedure stated in 《深圳市經濟適用住房取得完全產權和上市交易管理暫行辦法》, the property could be transferred freely in the open market, the market value of the property in existing state as at the Date of Valuation would be in the region of RMB22,700,000.

4. In the course of our valuation, we have relied on the information given by the Company and the aforesaid legal opinion and assume that the property is capable of being sold in the open market with the benefit of immediate vacant possession.

5. The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Acquisition Contract	Signed
Certificate of Real Estate Ownership	Not obtained

6. The market value stated in Note 3 above is arrived at using direct comparison method with the assumption that the property is capable of being sold with immediate vacant possession and by making reference to sales prices of properties in the subject development that have characteristics comparable to the property. The unit rate adopted by us is RMB64,500 per sq.m., which is consistent with the relevant comparables after due adjustments.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the allotment and issuance of 280,998,482 Consideration Shares at the Issue Price of HK$4.738 (assuming that there is no other change in the issue share capital of the Company since the Latest Practicable Date) will be as follows:

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.10 each	2,000,000,000.00
Issued and fully paid or to be credited as fully paid:		*HK$*
1,150,751,398	Shares in issue as at the Latest Practicable Date	115,075,139.80
280,998,482	Consideration Shares to be allotted and issued under the Acquisition Agreement	28,099,848.20
1,431,749,880	Shares of HK$0.10 each	143,174,988.00

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Dr. Lin	Interest of controlled corporation	790,001,518 *(Note 1)*	68.65%
	Interest of spouse	1,080,000 *(Note 2)*	0.09%
	Beneficial owner	1,080,000 *(Note 3)*	0.09%
		792,161,518	68.83%
Madam Su	Interest of spouse	791,081,518 *(Note 4)*	68.74%
	Beneficial owner	1,080,000 *(Note 3)*	0.09%
		792,161,518	68.83%
Mr. Lin Xiaodong	Beneficial owner	1,000,000 *(Note 3)*	0.09%
Mr. Yu Leung Fai	Beneficial owner	500,000 *(Note 3)*	0.04%
Mr. Fang Jixin	Beneficial owner	500,000 *(Note 3)*	0.04%
Dr. Li Jue	Beneficial owner	500,000 *(Note 3)*	0.04%

Notes:

(1) As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 790,001,518 Shares representing approximately 68.65% of the issued share capital of the Company. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 790,001,518 Shares under the SFO.

(2) Dr. Lin, the spouse of Madam Su, was deemed under the SFO to be interested in 1,080,000 Shares which Madam Su interested in.

(3) Under the share option scheme of the Company adopted on 10 August 2012, certain share options, each entitling its holder to subscribe for one Share, were granted on 20 May 2015 to the Directors with an exercise price of HK$4.11 per Share and exercise period between 20 May 2017 and 19 May 2025. Accordingly, the Directors were regarded as having an interest in the underlying Shares.

(4) Madam Su, the spouse of Dr. Lin, was deemed under the SFO to be interested in 791,081,518 Shares which Dr. Lin was deemed to be interested in.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any beneficial or deemed interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, persons who had interests or short positions in the Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or in any options in respect of such capital, were as follows:

Long position in the Shares

Name of shareholder	**Capacity**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**
Manureen Holdings	Beneficial owner	790,001,518 *(Note)*	68.65%

Note:

As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 785,001,518 Shares representing approximately 68.65% of the issued share capital of the Company. Manureen Holdings was owned as to 70% by Dr. Lin and as to 30% by Madam Su.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, no other person (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS

(i) Interests in contract or arrangement

On 20 February 2017, Shenzhen Weilu entered into a bank loan agreement with a PRC licensed bank as lender pursuant to which the bank shall provide the bank loan facility up to RMB170 million to Shenzhen Weilu and the bank loan facilities is secured by, among others, (i) the corporate guarantee by the Company (the "**Corporate Guarantee**"); and (ii) the pledge of the respective property held by two PRC subsidiaries of the Group (the "**Property Pledge**").

On 20 February 2017, the Company as borrower and Manureen Holdings as lender entered into a loan agreement pursuant to which Manureen Holdings would provide an unsecured loan facility of not more than RMB450 million to the Group.

Shenzhen Weilu is a company established in the PRC and is ultimately wholly owned as to 70% by Dr. Lin and 30% by Madam Su. As at the Latest Practicable Date, Manureen Holdings was the controlling Shareholder and was owned to 70% by Dr. Lin and as to 30% by Madam Su, both of whom are Directors. Please refer to the announcements of the Company dated 19 January 2017 and 20 February 2017 and circular of the Company dated 27 January 2017 respectively for further details of the above arrangements.

Save as disclosed above and for the Acquisition Agreement and the transactions contemplated thereunder, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

(ii) Interests in assets

Save for the interests of Dr. Lin and Madam Su in the Target Group, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited financial statements of the Company were made up.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group other than contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

Citibest Global Limited ("**Citibest**"), a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, received a civil writ dated 22 June 2016 which was issued by 深圳市新有序規劃設計有限公司 (Shenzhen Xin You Xu Planning and Design Company Limited*) (the "**Plaintiff A**") against, among others, (i) Citibest; (ii) Ms. Hung Hsin-Hui ("**Ms. Hung**"), being the sole shareholder of Citibest prior to the completion of the acquisition by the Company of the entire issued share capital of Citibest as announced by the Company on 24 March 2016 which took place on 24 June 2016; and (iii) 冠彰電器(深圳)有限公司 (Guan Zhang Electrical Appliances (Shenzhen) Limited*) ("**Guan Zhang**"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Citibest, claiming for allegedly outstanding payment in the amount of RMB30,000,000 and interest accrued thereon from 25 March 2016 up to the actual date of payment at the prevailing rate of the PRC, under an agency agreement dated 29 January 2015 and entered into among Plaintiff A, Citibest, Guan Zhang and its legal representative (which was entered into prior to the entering into of the Citibest Acquisition) pursuant to which Citibest agreed to appoint Plaintiff A as its agent to liaise with potential purchaser for the disposal by Citibest of its equity interest in Guan Zhang and the land use rights and properties held by Guan Zhang.

Subsequently, Plaintiff A filed an application to Shenzhen Qianhai Cooperation Zone People's Court ("**Shenzhen Qianhai Court**") in the PRC for the seizure of assets of Guan Zhang with a total value of RMB31,350,000 for the purpose of preservation of assets and Shenzhen Qianhai Court had made a ruling for the seizure of a factory owned by Guan Zhang located at Fumin Community, Guanlan Town, Baoan District, Shenzhen but have then subsequently made a ruling to release the seizure in September 2017.

The Group has successfully defended its case in relation to the claims made by Plaintiff A and the Shenzhen Intermediate People's Court has made judgment in July 2017 in favour of the Group against all the claims made by Plaintiff A in the said case. The Company understands that the judgment is final and conclusive.

A civil claim was made by 深圳市沪田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited*) ("**Plaintiff B**") to Shenzhen Qianhai Court in or around December 2016 against Citibest and Guan Zhang to allege for an aggregate sum of RMB26,446,711.83, being payments paid by Plaintiff B and other interest and fees under an alleged agency agreement between Plaintiff B and Citibest and Guan Zhang. The Board considers that the subject claim by Plaintiff B in that case has no merits. Legal advisers have been engaged to advise on the subject case and the parties concerned will vigorously contest that claim.

Nevertheless, Ms. Hung has put RMB23,800,000 in an escrow account for covering the claim, such amount would be otherwise released to Ms. Hung, pending the results of the aforesaid litigation. The directors of the Company considered the possibility of any cash outflow in settling the legal claims is remote after due consideration of the fact with reference to legal advice.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular:

(a) the sale and purchase agreement dated 24 March 2016 entered into between Virtue Summit Ventures Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and Ms. Hung as the vendor, in relation to the acquisition of the entire issued share capital of Citibest and the shareholder's loan owed to Ms. Hung at completion (if any) for the aggregate consideration of RMB238,000,000 (equivalent to approximately HK$266,560,000);

(b) the promoters' agreement dated 23 May 2016 entered between Realord Manureen Securities Limited ("**Realord Manureen Securities**") (an indirect wholly-owned subsidiary of the Company) and other five co-promoters, namely 廣東粵財投資控股有限公司(Guangdong Yuechai Investment Holdings Limited*), 深圳市泓景投資有限公司(Shenzhen Hongjin Investment Company Limited*), 保利物業管理有限公司(Poly Property Management Company Limited*), Karl-Thomson Securities Company Limited and Eternal Pearl Securities Limited, in relation to the formation of 粵港證券股份有限公司(Yuegang Securities Company Limited*) (the "**Securities Company**") and the subscription of 350,000,000 shares of the Securities Company, representing 10% equity interests thereof, by Realord Manureen Securities at an aggregate subscription price of RMB350,000,000 (equivalent to approximately HK$392,000,000);

(c) the conditional sale and purchase agreement dated 5 September 2016, as amended and supplemented by a supplemental agreement thereto dated 30 December 2016, entered into among the Company, Way Strong Holdings Limited, a direct wholly-owned subsidiary of the Company as purchaser, Fortune Victory Asia Corporation as vendor and Ms. Zhong Chunmei as the vendor's guarantor, in relation to the sale and purchase of 60% of the total issued share capital of Top Eagle International Trading Limited for a maximum consideration of HK$60,000,000 with part of consideration to be settled by issue of a maximum of 5,000,000 consideration Shares at the issue price of HK$7.00 per consideration Share;

(d) the Corporate Guarantee and the Property Pledge;

(e) the sale and purchase agreement dated 13 November 2017 and entered into between Realord (BVI) Enterprises Limited, a wholly owned subsidiary of the Company, as vendor and Brilliant Gold Financial Limited as purchaser in relation to the disposal of the entire equity interests of Capital Financial Press Limited for a total consideration of approximately HK$5,340,000 and the termination agreement dated 11 January 2018 entered into between the same parties to terminate the agreement; and

(f) the Acquisition Agreement.

8. EXPERTS AND CONSENTS

The following are the qualifications of the expert who have given opinion, letter or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountant
Roma Appraisals Limited	Independent professional valuer
Veda Capital	A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter or advice and/or reference to their names or opinions in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not, directly or indirectly, have any interest in any assets which had since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any business day from the date of this circular up to and including the date of the SGM:

(i) the bye-laws of the Company;

(ii) the annual reports of the Company for the year ended 31 December 2015 and 31 December 2016, and the interim report of the Company for the six months ended 30 June 2017;

(iii) the accountants' reports of Realord Ventures, Manureen Ventures and Realord Investment, issued by Deloitte Touche Tomatsu, the text of which are set out in Appendix II, III and IV to this circular respectively;

(iv) the report on the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix V to this circular;

(v) the valuation report of the Properties prepared by Roma Appraisals Limited, the text of which are set out in Appendix VI to this circular;

(vi) the material contracts referred to in the section headed "Material contracts" in this appendix;

(vii) the written consents referred to in the section headed "Experts and consents" in this appendix;

(viii) the circular of the Company dated 25 January 2017 in relation to acquisition of 60% of the issued share capital of Top Eagle International Trading Limited involving the issue of consideration shares under specific mandate;

(ix) the circular of the Company dated 27 January 2017 in relation to the discloseable and connected transaction; and

(x) this circular.

10. GENERAL

(i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Suites 2403-2410, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

(ii) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iii) The company secretary of the Company is Mr. Chan Chu Kin, who is a member of both the Certified Practising Accountants Australia and the Hong Kong Institute of Certified Public Accountants.

(iv) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text of the same.

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1196)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Special General Meeting**") of Realord Group Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Friday, 13 April 2018 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement dated 18 January 2018 (the "**Agreement**") entered into between the Company as purchaser and Dr. Lin Xiaohui and Madam Su Jiaohua as vendors (the "**Vendors**"), in relation to, among others, (i) the acquisition of the entire issued share capital in Realord Ventures Limited ("**Realord Ventures**") and Manureen Ventures Limited ("**Manureen Ventures**", together with Realord Ventures as the "**Target Companies**", with their joint venture, Realord Investment Limited and its subsidiaries as the "**Target Group**"); and (ii) provision of shareholder's loan to the Target Group for settlement of the outstanding debts of the Target Group at the completion (the "**Completion**") of the Agreement with the total consideration of which shall be partly satisfied by the Company to allot and issue 280,998,482 consideration shares (each a "**Consideration Share**") in the share capital of the Company to the Vendors (or at their direction) at the issue price of approximately HK$4.738 per Consideration Share (a copy of the Agreement has been produced to this meeting marked "A" and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares and the promissory notes), be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of the Consideration Shares by the Company to the Vendors (or at their direction) to settle part of the consideration payable by the Purchaser in accordance with the terms and conditions of the Agreement and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the board of directors of the Company (the "**Directors**") be and is hereby granted a specific mandate to allot and issue of the Consideration Shares in accordance with the terms and conditions of the Agreement; and

(d) any Director be and is hereby authorised to sign and execute such documents, including under seal where applicable, and do all such acts and things, as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 23 March 2018

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the Special General Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Special General Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Special General Meeting is enclosed. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof or upon the poll concerned. Completion and return of a form of proxy will not preclude a member of the Company from attending in person and voting at the Special General Meeting or any adjournment thereof should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Where there are joint holders of any share, any one of such holders may vote at the Special General Meeting either personally or by proxy in respect of such share as if he/she were solely entitled to vote; but if more than one of such joint holders are present at the Special General Meeting in person or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. The register of members of the Company will be closed from Tuesday, 10 April 2018 to Friday, 13 April 2018 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the Special General Meeting. No transfer of shares of the Company will be registered during this period. In order to be eligible to attend and vote at the Special General Meeting, unregistered holders of the shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 April 2018.

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