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

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

2021 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Realord Group Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021

		For the six months ended	
		30 June	30 June
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue			
Goods and services		422,157	293,035
Rental income		5,224	5,195
Interest		18,027	7,882
Total revenue	3	445,408	306,112
Cost of sales		(312,969)	(219,508)
Gross profit		132,439	86,604
Other income/expenses	5A	31,051	16,357
Other gains and losses	5B	576,069	493,594
Impairment losses, net		(3,234)	(3,971)
Selling and distribution expenses		(15,816)	(6,552)
Administrative expenses		(137,595)	(113,443)
Finance costs	6	(342,430)	(308,392)
Profit before income tax		240,484	164,197
Income tax expense	7	(187,369)	(116,206)
Profit for the period	8	53,115	47,991
Attributable to:			
Owners of the Company		47,356	45,940
Non-controlling interests		5,759	2,051
		53,115	47,991
Earnings per share			
– Basic (HK cents)	10	3.293	3.194
– Diluted (HK cents)	10	3.285	3.193

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

for the six months ended 30 June 2021

	For the six months ended	
	30 June	30 June
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	53,115	47,991
Other comprehensive income/(expense)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
(Loss)/Gain on property revaluation	(1,047)	928
Income tax credit/(expense) relating to loss/(gain) on property revaluation	262	(232)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations:		
– Subsidiaries	91,466	(91,285)
Other comprehensive income/(expense) for the period, net of income tax	90,681	(90,589)
Total comprehensive income/(expense) for the period	143,796	(42,598)
Attributable to:		
Owners of the Company	137,852	(45,035)
Non-controlling interests	5,944	2,437
	143,796	(42,598)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		643,748	447,153
Prepaid lease payments		5,072	4,977
Investment properties	11a	9,448,108	11,839,176
Goodwill		218,841	87,390
Other intangible assets		52,666	43,396
Equity instruments at fair value through other comprehensive income ("FVTOCI")		38,648	8,899
Prepayments, deposits and other receivables		34,565	14,787
Pension scheme assets		19,585	–
		10,461,233	12,445,778
Current assets			
Inventories		249,299	36,538
Properties under development	11b	3,175,806	–
Trade receivables	12	335,007	449,409
Receivables arising from securities broking	12	183,317	163,373
Loan receivables	12	84,656	157,053
Reinsurance assets		87	–
Prepayments, deposits and other receivables		668,159	425,961
Proposed development project		1,582,152	1,634,083
Tax recoverable		4,002	4,121
Financial assets at fair value through profit or loss ("FVTPL")		48,065	15,297
Cash held on behalf of clients		153,479	119,538
Bank balances and cash		513,301	1,268,295
Pledged deposits with banks and bank balances		102,057	–
		7,099,387	4,273,668
Current liabilities			
Trade payables	13	80,936	34,819
Payables arising from securities broking	13	166,194	139,642
Contract liabilities		19,097	35,743
Insurance contract liabilities		1,165	–
Other payables and accruals		191,831	168,699
Bank borrowings and overdrafts	14	500,908	722,366
Other loans		2,692	–
Amounts due to related parties		35,249	71,861
Lease liabilities		95,809	33,893
Tax payable		9,793	6,605
		1,103,674	1,213,628
Net current assets		5,995,713	3,060,040
Total assets less current liabilities		16,456,946	15,505,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

as at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Equity			
Share capital	15	143,821	143,821
Reserves		3,499,494	3,361,642
		<hr/>	<hr/>
Equity attributable to owners of the Company		3,643,315	3,505,463
Non-controlling interests		1,015,129	906,111
		<hr/>	<hr/>
		4,658,444	4,411,574
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		1,109,494	914,565
Other payables and accruals		46,891	44,693
Loans from ultimate holding company		780,127	744,192
Bank borrowings	14	9,858,577	9,385,657
Lease liabilities		3,413	5,137
		<hr/>	<hr/>
		11,798,502	11,094,244
		<hr/>	<hr/>
		16,456,946	15,505,818
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. The accounting policies and critical accounting judgments and estimates used in the preparation of the condensed consolidated financial statements are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the application of the new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
Amendments to HKFRSs Accounting Guideline 5 (Revised)	Annual Improvements to HKFRSs 2018-2020 ¹ Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021

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

3. REVENUE

The Group recognises revenue from the following major sources:

- (i) Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon delivery;
- (ii) Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon delivery;
- (iii) Revenue from sale of other goods including hangtags, labels, shirt paper boards and plastic bags is recognised at a point in time when the customer obtains control of the distinct goods;
- (iv) Revenue from rendering of financial printing, digital printing and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs;
- (v) Revenue from commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients;
- (vi) Revenue from rendering of corporate finance advisory, asset management and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date;
- (vii) Revenue from interest income from money lending business and margin financing is recognised on a time proportion basis using the effective interest method;
- (viii) Revenue from sale of goods at the department stores is recognised at a point in time when the control of goods has been transferred to customers upon purchase the goods at the department stores; and
- (ix) Income from counter and consignment sale is recognised at a point in time and based on certain percentage of sales made by the customers in accordance with the terms of contracts.

3. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

Type of goods and services	Property HK\$'000	Financial services HK\$'000	Environmental protection HK\$'000	Motor vehicle parts HK\$'000	Commercial printing HK\$'000	Hangtag HK\$'000	Department store HK\$'000	Total HK\$'000
For the six months ended								
30 June 2021 (Unaudited)								
Sales of goods								
- Motor vehicle parts	-	-	-	74,513	-	-	-	74,513
- Scrap materials	-	-	256,665	-	-	-	-	256,665
- Hangtags, labels, shirt paper boards and plastic bags	-	-	-	-	-	116	-	116
- Department store goods	-	-	-	-	-	-	9,169	9,169
	-	-	256,665	74,513	-	116	9,169	340,463
Rendering of services								
- Printing services	-	-	-	-	30,658	-	-	30,658
- Financial services	-	41,976	-	-	-	-	-	41,976
- Commission income from securities broking	-	6,408	-	-	-	-	-	6,408
- Counter and consignment sales	-	-	-	-	-	-	2,652	2,652
Revenue from contracts with customers	-	48,384	256,665	74,513	30,658	116	11,821	422,157
Revenue from gross rental income	5,224	-	-	-	-	-	-	5,224
Revenue from interest income from money lending business	-	10,284	-	-	-	-	-	10,284
Revenue from interest income from margin financing	-	7,743	-	-	-	-	-	7,743
Total	5,224	66,411	256,665	74,513	30,658	116	11,821	445,408
Timing of revenue recognition								
A point in time	-	6,408	256,665	74,513	-	116	11,821	349,523
Over time	-	41,976	-	-	30,658	-	-	72,634
Revenue out of the scope of HKFRS 15								
Rental income	5,224	-	-	-	-	-	-	5,224
Interest income	-	18,027	-	-	-	-	-	18,027
Total	5,224	66,411	256,665	74,513	30,658	116	11,821	445,408

3. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

Type of goods and services	Property HK\$'000	Financial services HK\$'000	Environmental protection HK\$'000	Motor vehicle parts HK\$'000	Commercial printing HK\$'000	Hangtag HK\$'000	Total HK\$'000
For the six months ended 30 June 2020 (Unaudited)							
Sales of goods							
– Motor vehicle parts	–	–	–	55,915	–	–	55,915
– Scrap materials	–	–	171,224	–	–	–	171,224
– Hangtags, labels, shirt paper boards and plastic bags	–	–	–	–	–	144	144
	–	–	171,224	55,915	–	144	227,283
Rendering of services							
– Printing services	–	–	–	–	37,720	–	37,720
– Financial services	–	26,562	–	–	–	–	26,562
– Commission income from securities broking	–	1,470	–	–	–	–	1,470
Revenue from contracts with customers	–	28,032	171,224	55,915	37,720	144	293,035
Revenue from gross rental income	5,195	–	–	–	–	–	5,195
Revenue from interest income from money lending business	–	2,583	–	–	–	–	2,583
Revenue from interest income from margin financing	–	5,299	–	–	–	–	5,299
Total	5,195	35,914	171,224	55,915	37,720	144	306,112
Timing of revenue recognition							
A point in time	–	1,470	171,224	55,915	–	144	228,753
Over time	–	26,562	–	–	37,720	–	64,282
Revenue out of the scope of HKFRS 15							
Rental income	5,195	–	–	–	–	–	5,195
Interest income	–	7,882	–	–	–	–	7,882
Total	5,195	35,914	171,224	55,915	37,720	144	306,112

4. SEGMENT INFORMATION

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

The Group is organised into business units based on their products and services and has seven (six months ended 30 June 2020: six) operating segments as follows:

- (i) property investment development and commercial operation (“Property Segment”);
- (ii) provision of corporate finance advisory, asset management, securities brokerage services, margin financing and money lending (“Financial Services Segment”);
- (iii) environmental protection industry, mainly dismantling and trading of scrap materials (“Environmental Protection Segment”);
- (iv) distribution and sale of motor vehicle parts (“Motor Vehicle Parts Segment”);
- (v) provision of financial printing, digital printing and other related services (“Commercial Printing Segment”);
- (vi) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products (“Hangtag Segment”); and
- (vii) operation of department stores offering a wide range of consumer products, comprises of sale of goods, income from counter and consignment sale and the revenue from other sources, including net realised gains/loss on securities trading, rental income from sublease of properties and the provision of pension and life insurance (“Department Store Segment”).

Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income, certain other income, unrealised fair value loss on financial assets at FVTPL, realised gain on disposal of financial assets at FVTPL, net foreign exchange gain, revaluation surplus/deficit on property, plant and equipment, corporate expenses and certain finance costs. This is the measurements reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets exclude tax recoverable, bank balances and cash, financial assets at FVTOCI/FVTPL and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain bank borrowings and overdrafts, other loans, tax payable, deferred tax liabilities, loans from ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales are charged at prevailing market rates.

4. SEGMENT INFORMATION (Continued)

a) Segment revenues and results

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

	Property HK\$'000	Financial services HK\$'000	Environmental protection HK\$'000	Motor vehicle parts HK\$'000	Commercial printing HK\$'000	Hangtag HK\$'000	Department store HK\$'000	Total HK\$'000
For the six months ended								
30 June 2021 (Unaudited)								
Segment revenue								
Sales to external customers	5,224	66,411	256,665	74,513	30,658	116	11,821	445,408
Inter-segment sales	1,260	7,313	-	-	694	-	-	9,267
	6,484	73,724	256,665	74,513	31,352	116	11,821	454,675
Elimination of inter-segment sales								(9,267)
Revenue								<u>445,408</u>
Segment results	313,898	12,323	17,513	3,444	(1,138)	(52)	(9,575)	336,413
Unallocated:								
Bank interest income								15,409
Other income								51
Net foreign exchange loss								(60,928)
Compensation income from legal case								13,888
Revaluation surplus on property, plant and equipment								7,126
Realised gain on disposal of financial assets at FVTPL								1,157
Unrealised fair value loss on financial assets at FVTPL								(1,201)
Corporate expenses								(41,422)
Finance costs								<u>(30,009)</u>
Profit before income tax								<u>240,484</u>

4. SEGMENT INFORMATION (Continued)

a) Segment revenues and results (Continued)

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

4. SEGMENT INFORMATION (Continued)

b) Segment assets and liabilities

	Property <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Environmental protection <i>HK\$'000</i>	Motor vehicle parts <i>HK\$'000</i>	Commercial printing <i>HK\$'000</i>	Hangtag <i>HK\$'000</i>	Department store <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2021 (Unaudited)								
Segment assets	14,710,737	563,669	529,384	132,639	23,263	95	725,458	16,685,245
Corporate and unallocated assets								<u>875,375</u>
Total assets								<u><u>17,560,620</u></u>
Segment liabilities	7,250,274	174,411	103,835	6,285	29,532	50	308,434	7,872,821
Corporate and unallocated liabilities								<u>5,029,355</u>
Total liabilities								<u><u>12,902,176</u></u>
As at 31 December 2020 (Audited)								
Segment assets	13,706,570	647,175	528,257	122,295	23,133	127		15,027,557
Corporate and unallocated assets								<u>1,691,889</u>
Total assets								<u><u>16,719,446</u></u>
Segment liabilities	7,232,905	155,443	127,289	21,746	30,882	25		7,568,290
Corporate and unallocated liabilities								<u>4,739,582</u>
Total liabilities								<u><u>12,307,872</u></u>

5A. OTHER INCOME/EXPENSES

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Bank interest income	15,409	11,209
Interest income on credit-impaired loan receivables	1,825	3,347
Government grants (<i>note</i>)	167	940
Compensation income from legal case	13,888	–
Others	(238)	861
	<u>31,051</u>	<u>16,357</u>

Note: The government grants represented the Distance Business Programme (six months ended 30 June 2020: Employment Support Scheme) under the Anti-epidemic Fund granted from the HKSAR Government, which aims to provide time-limited financial support to the Group to retain employees who may otherwise be made redundant.

5B. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Gain on fair value changes of investment properties, net	628,686	445,540
Revaluation surplus/(deficit) on property, plant and equipment	7,126	(12,665)
Realised gain on disposal of financial assets at FVTPL	1,157	1,494
Unrealised fair value loss on financial assets at FVTPL	(1,201)	(1,256)
Net foreign exchange (loss)/gain	(59,699)	60,481
	<u>576,069</u>	<u>493,594</u>

6. FINANCE COSTS

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	311,875	251,243
Interest on loans from ultimate holding company	28,296	55,336
Finance charges on lease liabilities	1,046	664
Imputed interest on deferred consideration	1,213	1,149
	<u>342,430</u>	<u>308,392</u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (six months ended 30 June 2020: 25%) for the period.

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax.

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Current tax		
– Hong Kong	2,412	1,700
– The PRC	42	–
– Japan	3,439	3
Deferred tax	<u>181,476</u>	<u>114,503</u>
	<u>187,369</u>	<u>116,206</u>

8. PROFIT FOR THE PERIOD

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

	For the six months ended	
	30 June 2021 (Unaudited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>
Depreciation		
– Owned assets	16,619	11,880
– Right-of-use assets	21,064	15,982
– Prepaid lease payments	59	59
Amortisation of other intangible assets	1,394	1,394
Direct operating expenses (including repair and maintenance):		
– Arising from rental-earning investment properties	588	337
Employee benefit expense (including directors' emoluments)	72,566	65,062
Short-term lease payments	2,193	1,276
Legal and professional fee for transactions	25,203	4,548
	<u> </u>	<u> </u>

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

	For the six months ended	
	30 June 2021 (Unaudited) <i>HK\$'000</i>	30 June 2020 (Unaudited) <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share calculation (Profit attributable to owners of the Company)	47,356	45,940
	<u> </u>	<u> </u>

10. EARNINGS PER SHARE (Continued)

	Number of shares	
	For the six months ended	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	1,438,209,880	1,438,209,880
Effect of dilutive potential ordinary shares:		
– Share options	<u>3,350,497</u>	<u>687,749</u>
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	<u><u>1,441,560,377</u></u>	<u><u>1,438,897,629</u></u>

11a. INVESTMENT PROPERTIES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
At the beginning of the period/year	11,839,176	8,863,251
Gain on fair value changes recognised in profit or loss, net	628,686	2,463,416
Transfer to properties under development (<i>note 11b</i>)	(3,175,806)	–
Exchange realignment	<u>156,052</u>	<u>512,509</u>
At the end of the period/year	<u><u>9,448,108</u></u>	<u><u>11,839,176</u></u>

As at 30 June 2021 and 31 December 2020, certain investment properties of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 14.

11b. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Properties under development (<i>note 11a</i>)	<u><u>3,175,806</u></u>	<u><u>–</u></u>

As at 30 June 2021, the Group's properties under development were pledged to secure general banking facilities granted to the Group, details of which are set out in note 14.

12. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Trade receivables, goods and services	344,500	460,428
Less: allowance for credit losses	(9,493)	(11,019)
	335,007	449,409
Receivables arising from securities broking conducted in the ordinary course of business:		
– Clearing house	530	–
– Cash clients accounts receivable	9,592	26,871
– Loans to margin clients	173,228	138,458
Less: allowance for credit losses	(33)	(1,956)
	183,317	163,373
Receivables arising from money lending conducted in the ordinary course of business:		
– Loan receivables	111,965	177,679
Less: allowance for credit losses	(27,309)	(20,626)
	84,656	157,053
	602,980	769,835

Trade receivables

The credit periods are generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Receivables arising from securities broking

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

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

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

12. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING/LOAN RECEIVABLES (Continued)

Loan receivables

Loan receivables are unsecured, repayable on agreed dates of repayment within one year and bear interest at commercial rates.

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Current to 30 days	124,030	196,304
31 to 60 days	20,604	58,342
61 to 90 days	12,173	23,079
Over 90 days	178,200	171,684
	335,007	449,409

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

13. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade payables	80,936	34,819
Payables arising from securities broking conducted in the ordinary course of business:		
– Cleaning house	4,978	–
– Cash and margin clients accounts payable	161,216	139,642
	166,194	139,642
	247,130	174,461

13. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Current to 30 days	55,787	14,684
31 to 60 days	14,463	694
61 to 90 days	3,731	327
Over 90 days	6,955	19,114
	<u>80,936</u>	<u>34,819</u>

The credit period of trade payables from 60 to 90 days. The normal settlement terms of payable arising from securities broking are two trading days after the trade date.

Included in the cash and margin clients accounts payable arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounted to HK\$153,479,000 (31 December 2020: HK\$119,538,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 30 June 2021, the cash clients accounts payable included an amount of HK\$112,000 (31 December 2020: HK\$112,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non interest-bearing. No ageing analysis is disclosed as in the opinion of the Company's directors, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

14. BANK BORROWINGS AND OVERDRAFTS

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Bank borrowings		
– Secured	6,818,806	6,613,627
– Unsecured	3,530,679	3,494,396
Secured bank overdrafts	10,000	–
	<u>10,359,485</u>	<u>10,108,023</u>

14. BANK BORROWINGS AND OVERDRAFTS (Continued)

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Carrying amount of bank borrowings are repayable (note d):		
– Within one year	283,746	503,874
– More than one year but not more than two years	5,187,589	542,961
– More than two years but not more than five years	3,170,226	7,297,142
– Over five years	1,500,762	1,545,554
	<u>10,142,323</u>	<u>9,889,531</u>
Carrying amount of bank borrowings and overdrafts that contain a repayment on demand clause:		
– Within one year	217,162	218,492
	<u>10,359,485</u>	<u>10,108,023</u>
Less: amounts due within one year shown under current liabilities	<u>(500,908)</u>	<u>(722,366)</u>
Amounts shown under non-current liabilities	<u>9,858,577</u>	<u>9,385,657</u>

Notes:

- (a) As at 30 June 2021, the Group's bank borrowings and overdrafts of HK\$361,609,000 (31 December 2020: HK\$218,492,000) bear interest rates from 1.25% to 2.20% (31 December 2020: 1.25% to 2.20%) over Hong Kong Interbank Offered Rate per annum.
- (b) As at 30 June 2021, the Group's bank borrowing of HK\$231,658,000 (31 December 2020: HK\$234,482,000) bears interest rate of 2.85% (31 December 2020: 2.85%) below Prime Rate per annum.
- (c) As at 30 June 2021, the Group's bank borrowings of HK\$9,766,218,000 (31 December 2020: HK\$9,655,049,000) bear fixed interest rates from 5.62% to 7.6% (31 December 2020: 5.62% to 7.6%) per annum.
- (d) The amounts due are based on scheduled repayment dates set out in the loan agreements.
- (e) The Group's available banking facilities amounted to HK\$11,440,442,000 (31 December 2020: HK\$11,083,840,000), of which HK\$10,359,485,000 (31 December 2020: HK\$10,108,023,000) had been utilised at the end of the reporting period.

14. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes: (Continued)

- (f) Certain bank borrowings and overdrafts of the Group were guaranteed by the Company up to HK\$9,974,240,000 (31 December 2020: HK\$9,860,203,000), the Group's companies up to HK\$9,356,046,000 (31 December 2020: HK\$9,271,279,000); and secured by mortgages over the Group's investment properties with a carrying amount at the end of the reporting period of HK\$9,448,108,000 (31 December 2020: HK\$11,839,176,000), mortgages over the Group's leasehold land and buildings with a carrying amount at the end of the reporting period of HK\$546,989,000 (31 December 2020: HK\$363,840,000), mortgage over the Group's properties under development with a carrying amount at the end of the reporting period of HK\$3,175,806,000 (31 December 2020: Nil), secured by securities collateral pledged to the Group by margin clients with market value of HK\$9,164,000 (31 December 2020: HK\$9,529,000) and shares of two (31 December 2020: two) investment properties owing subsidiaries.
- (g) Certain bank borrowings and overdrafts of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK\$9,988,736,000 (31 December 2020: HK\$9,880,694,000) and the related parties of the Group up to HK\$9,140,000 (31 December 2020: HK\$8,837,000).
- (h) Except for bank borrowings of HK\$9,766,218,000 (31 December 2020: HK\$9,655,049,000) which are denominated in Renminbi ("RMB"), all other bank borrowings and overdrafts are denominated in HK\$.

15. SHARE CAPITAL

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.10 each	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,438,209,880 ordinary shares of HK\$0.10 each	<u>143,821</u>	<u>143,821</u>

16. BUSINESS COMBINATION

During the six months ended 30 June 2021, the Group completed an acquisition of 79.51% equity interests in The Sincere Company, Limited (“Sincere”) (Stock Code: 244) and its subsidiaries (“Sincere Group”) from the independent third parties, for total cash consideration of HK\$411,088,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK\$131,451,000. The principal activities of Sincere Group mainly consisted of the operation of department stores, securities trading and the provision of general and life insurances.

Further details of the acquisition are set out in the Company’s circulars dated 23 July 2020 and 30 July 2021.

The provisional fair values of the identifiable assets and liabilities of Sincere Group at the acquisition date were as follows:

	(Unaudited) <i>HK\$’000</i>
Property, plant and equipment	224,539
Other intangible assets	10,664
Equity instruments at FVTOCI	29,625
Prepayments, deposits and other receivables	43,260
Pension scheme assets	19,585
Inventories	42,618
Trade receivables	1,200
Financial assets at FVTPL	10,442
Pledged deposits with banks and bank balances	102,039
Bank balances and cash	112,260
Reinsurance assets	87
Trade payables	(61,940)
Contract liabilities	(618)
Insurance contract liabilities	(1,165)
Other payables and accruals	(47,971)
Other loans	(154,693)
Bank borrowings	(122,000)
Lease liabilities	(83,876)
Deferred tax liabilities	(1,780)
	<hr/>
Total identifiable net assets at fair value	<u><u>122,276</u></u>

16. BUSINESS COMBINATION (Continued)

Goodwill arising on acquisition

	(Unaudited) <i>HK\$'000</i>
Consideration transferred	411,088
Add: non-controlling interest	103,074
Less: gift receivable from Win Dynamic Limited (“Win Dynamic”) (<i>note 19(a)</i>)	(260,435)
Less: fair value of identifiable assets acquired	(122,276)
	<u>131,451</u>

Net cash outflow on acquisition

	(Unaudited) <i>HK\$'000</i>
Bank balances and cash acquired	112,260
Less: cash consideration paid	(411,088)
	<u>(298,828)</u>

Note: The initial accounting for the acquisition has been determined provisionally for other intangible assets to be identified and recognised separately from goodwill awaiting the receipt of professional valuation in relation to the respective fair values.

17. CAPITAL AND OTHER COMMITMENTS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Contracted, but not provided for:		
– Capital injection in a joint venture engaged in securities brokerage business	421,035	415,293
– Construction contracts	19,790	–
– Leasehold improvements	2,742	1,471
– Irrevocable letters of credit	18,229	–
– Bank guarantees given in lieu of property rental deposits and to a supplier	13,919	–
	<u>475,715</u>	<u>416,764</u>

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

i. Related party transactions

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Interest expense on loans from ultimate holding company	28,296	55,336
Management fee paid to a related company controlled by a director of the Company in the PRC	373	373
Securities service fee received from the directors and controlling shareholders	5	1
	<u>5</u>	<u>1</u>

ii. Other transactions with related parties

During the six months ended 30 June 2021, the Group received loans from and repaid to ultimate holding company of HK\$119,783,000 (six months ended 30 June 2020: HK\$3,054,157,000) and HK\$83,848,000 (six months ended 30 June 2020: HK\$3,070,214,000) respectively.

iii. Compensation of key management personnel of the Group

	For the six months ended	
	30 June 2021 (Unaudited) HK\$'000	30 June 2020 (Unaudited) HK\$'000
Short-term employee benefits	5,019	5,016
Post-employment benefits	27	27
	<u>5,046</u>	<u>5,043</u>

19. LITIGATION AND CONTINGENT LIABILITIES

(a) WD Proceeds

References are made to the announcements issued by Sincere dated 29 October 2020 and 4 February 2021, respectively, in relation to, among others, the deed of gift (the “Deed”) executed by Win Dynamic in favour of Sincere on 29 October 2020, pursuant to which Win Dynamic has irrevocably undertaken to Sincere to give to Sincere the net sale proceeds that Win Dynamic will be entitled to receive from the Company upon its acceptance of the pre-conditional voluntary cash offer made by the Company (“Offer”), and the purported cancellation of the Deed by Win Dynamic, respectively. As stated in Sincere’s announcement dated 29 October 2020, Sincere understood that in order to facilitate the Deed, Mr. Philip KH Ma (“Mr. Philip Ma”) and Mr. Charles M W Chan, who are the shareholders and directors of Win Dynamic have irrevocably agreed to waive all sums owed to them by Win Dynamic, and Sincere intended that this gift from Win Dynamic, when received, will be applied as working capital of the Sincere Group. On 4 February 2021, Sincere announced in its announcement dated 4 February 2021 that the board of Sincere had received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic’s declaration that the Deed is null and void and cancelled with immediate effect, for the reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice and is an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong). On 6 May 2021, the Company also received an email from the legal adviser who was instructed to write on behalf of directors of Sincere stating, among others, that Sincere is the beneficiary of the Deed and Sincere does not admit that the purported cancellation of the Deed by Win Dynamic is valid or effective. References are also made to the announcements issued by the Company on 6 May 2021, 11 May 2021 and 14 May 2021, respectively, in relation to, among others, update in relation to the Deed.

On 10 May 2021, the Company issued a writ of summons with an indorsement of claim in the High Court of Hong Kong against Win Dynamic in relation to the purported cancellation of the Deed. The Company claimed against Win Dynamic, among others, for an order of specific performance requiring Win Dynamic to forthwith pay Sincere the net proceeds in respect of the Sincere’s shares tendered by Win Dynamic for acceptance of the Offer, after deducting the seller’s ad valorem stamp duty payable by it, amounting to HK\$260,435,373 (the “WD Proceeds”), or such other sum as the court may determine.

On 11 May 2021, the Company further applied to the High Court of Hong Kong for an interlocutory injunction against Win Dynamic (the “Application”) that it must not, among others, (a) remove from Hong Kong any of its assets which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, up to the value of the WD Proceeds, or (b) in any way dispose of or deal with or diminish the value of any of its assets, which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, and whether or not Win Dynamic asserts a beneficial interest in them up to the value of the WD Proceeds, which Application was heard by the Court on 14 May 2021. Upon hearing submissions from the parties, the Court has adjourned the Application to a date to be fixed for substantive argument, and the Court has granted an interim-interim injunction, which shall remain in force pending the substantive determination of the Application, restraining Win Dynamic from, among others, (a) removing from Hong Kong any of its assets which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, up to the value of the WD Proceeds, or (b) in any way disposing of or dealing with or diminishing the value of any of its assets, which are within Hong Kong, whether in its own name or not, and whether solely or jointly owned, and whether or not Win Dynamic asserts a beneficial interest in them up to the value of the WD Proceeds.

19. LITIGATION AND CONTINGENT LIABILITIES (Continued)

(b) Claim from former Sincere Director

As set out in the announcement of Sincere dated 11 June 2021, Sincere received a statutory demand (the “Statutory Demand”) dated 4 June 2021 from the legal adviser acting on behalf of Mr. Philip Ma, the former chairman and chief executive officer of Sincere, pursuant to Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding Sincere to pay the amount of HK\$8,244,000, which is asserted to be outstanding remuneration under an employment contract due to Mr. Philip Ma, within 21 days from the date of service of the Statutory Demand, failing which Mr. Philip Ma may present a winding up petition against Sincere.

As disclosed in the announcement of Sincere dated 23 June 2021, Sincere has sought legal advice in respect of the Statutory Demand and was advised that the Statutory Demand is a nullity for the reasons that (i) the Statutory Demand is fundamentally defective as it was not issued in the prescribed form as required under section 178(1)(a)(i)(A) of the Companies (Winding Up Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong); and (ii) pursuant to the Labour Tribunal Ordinance (Chapter 25 of the Laws of Hong Kong), Mr. Philip Ma’s claim for the alleged outstanding remunerations falls within the exclusive jurisdiction of the Labour Tribunal. Sincere was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma as all the salaries and director’s fees owed by Sincere for the period from 1 March 2020 to 28 February 2021 have already been duly paid to Mr. Philip Ma. In light of the above, Sincere had, through its legal advisers, requested Mr. Philip Ma to (i) withdraw the Statutory Demand and (ii) undertake not to issue any winding-up petition against Sincere in reliance on the Statutory Demand. Sincere had also instructed its legal advisers to prepare for an injunction application to restrain Mr. Philip Ma from presenting any winding-up petition against Sincere.

On 21 June 2021, Sincere received a Form of Claim dated 17 June 2021 filed by Mr. Philip Ma with the Labour Tribunal (the “LBTC Claim”). According to the said Form of Claim, Mr. Philip Ma claims against Sincere for unpaid director’s fees and management fees allegedly due from four subsidiaries of Sincere in the total sum of HK\$8,244,000, which is the same amount as that demanded by him in the Statutory Demand. Sincere further received a letter from Mr. Philip Ma’s legal advisers on 21 June 2021 stating that Mr. Philip Ma will not present a winding-up petition against Sincere in respect of the alleged outstanding remunerations pending the determination of the Labour Tribunal.

A calling meeting in respect of the LBTC Claim was held at the Labour Tribunal on 8 July 2021. Further information had been requested by the Labour Tribunal and provided on 19 August 2021. The next hearing was scheduled on 1 November 2021.

19. LITIGATION AND CONTINGENT LIABILITIES (Continued)

- (c) As set out in Sincere's announcement dated 22 May 2019, a non-compliance matter (the "Incident") occurred in which certain Insurance Authority ("IA") regulatory filings were not made by The Sincere Life Assurance Company Limited ("Sincere LA") and certain IA regulatory filings/prior written consents were not made/sought by The Sincere Insurance & Investment Company, Limited ("Sincere II") in connection with Win Dynamic acquiring 26.48% of Sincere's shares in issue and becoming a substantial shareholder of Sincere as a result of the completion (the "Rights Issue Completion") of the rights issue of Sincere in December 2017. As a result of the Rights Issue Completion, Win Dynamic and Mr. Philip Ma each became a new "controller" within the meaning of section 9(1)(a)(iii)(B) of the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong) ("IO") of Sincere II on 20 December 2017 (the "Change"). Pursuant to a directive which was imposed by the IA on Sincere II in its letter in March 2016, Sincere II was required to obtain the written consent of the IA for the Change before it took place. Sincere II was also required under the IO to make a notification filing for the Change to the IA within one month thereof. For Sincere LA, it is required under the IO to make a notification filing for the Change to the IA within one month thereof.

As a result of the non-compliance matter, Sincere LA and Sincere II may be subject to the potential liability and disciplinary actions under the IO. Pursuant to the IO, in failing to make the requisite filings/obtain the requisite consents (as the case may be) in relation to the Incident, (a) Sincere LA commits an offence and may be liable to a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the offence continues; and (b) Sincere II commits two offences (for failing to obtain written consent of the IA for the Change; and failing to make a notification filing for the Change with the IA) and may be liable, respectively, to (i) a fine of HK\$200,000, together with a fine of HK\$1,000 for each day on which the first offence continues; and (ii) a fine of HK\$200,000, together with a fine of HK\$2,000 for each day on which the second offence continues. Further, both Sincere LA and Sincere II may be subject to disciplinary actions of the IA. Since then, both Sincere LA and Sincere II are in the process of carrying out the requisite remediation actions.

Based on the available information, development during the period ended 30 June 2021 (including but not limited to a letter from IA to Sincere LA in November 2020 reiterating that the default in compliance is an offence which may rise to prosecution against Sincere LA if non-compliance is ever repeated, a letter from IA to Sincere II in November 2020 giving consent for Sincere II to acquire Mr. Philip Ma as a controller within the meaning of section 9(1)(a)(iii)(B) of the IO as a result of the Rights Issue Completion, no objections from the IA for the action plans submitted by Sincere LA and Sincere II and the consent given by the IA for Sincere II to acquire the Company and others as controllers within the meaning of section 9(1)(a)(iii)(B) of the IO for the purpose of the Offer) and opinion given by the legal counsel of Sincere LA and Sincere II, the board of directors of Sincere, Sincere LA and Sincere II are of the view that the possibility of the IA taking further enforcement actions as a result of the Incident should be low, provided that Sincere LA and Sincere II shall continue to implement the action plan and comply with the relevant applicable regulatory requirements under the IO. Nothing has come to the attention that Sincere, Sincere LA and Sincere II have committed material non-compliance with the requirements under the action plan or the regulatory requirements under the IO up to the date of approval of the financial statements. Hence, no provision has been made as at 30 June 2021. Sincere LA and Sincere II would continue to discuss with the IA and monitor the progress in relation thereof.

20. EVENTS AFTER REPORTING PERIOD

- (a) On 27 July 2021, the Company entered into a placing agreement with Realord Asia Pacific Securities Limited, a non-wholly owned subsidiary of the Company, (the “Placing Agent”), pursuant to which the Placing Agent shall act as an agent of the Company to procure, on a best effort basis, not less than six placees to purchase up to a maximum 59,224,000 shares of Sincere (the “Placing Shares”) held by the Company at a placing price of HK\$0.59 per Placing Shares (the “Placing”). The Placing was completed on 30 July 2021 and following the completion, the number of shares of Sincere held by the Company decreased from 1,044,695,362 shares to 985,471,362 shares, representing a decrease of shareholding from approximately 79.51% to approximately 75.00% of the total number of issued shares of Sincere.

- (b) On 17 August 2021, Realord Environmental Protection Japan Co., Ltd. (“Realord EP Japan”) served a notice to Tsugawa Metal Co., Ltd. (“Tsugawa Metal”) to early terminate the service agreement with effect from 1 September 2021. The service agreement was entered into on 15 May 2020, where Tsugawa Metal agreed to provide the technical services including the processing and dismantling of scrap materials by 41 workers and related technical and logistics support to Realord EP Japan.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group during the period under review included property investment and development and commercial operation (the “Property Segment”); financial services, included corporate finance advisory, asset management, securities brokerage services, margin financing and money lending (the “Financial Services Segment”); environmental protection industry, mainly dismantling, processing, trading and sales of scrap materials (the “EP Segment”); distribution and sales of motor vehicle parts (the “MVP Segment”); financial printing, digital printing and other related services (the “Commercial Printing Segment”); sales of hangtags, labels, shirt paper boards and plastic bags (the “Hangtag Segment”); and the operation of department stores, securities trading and the provision of general and life insurances (the “Department Store Segment”).

Overall financial review

Revenue

During the six months ended 30 June 2021 (the “1H2021”), the Group recorded a total revenue of approximately HK\$445.4 million, which was mainly contributed by the EP Segment, the MVP Segment and the Financial Services Segment. The EP Segment contributed approximately 57.6%, the MVP Segment contributed approximately 16.7% and the Financial Services Segment contributed approximately 14.9% thereof respectively. The remaining 10.8% was contributed by other segments of the Group. The Group’s revenue for 1H2021 increased by approximately HK\$139.3 million or 45.5% as compared to approximately HK\$306.1 million for the six months ended 30 June 2020 (the “1H2020”). Such increase was mainly attributable to the increase in the revenue of (i) the EP Segment from HK\$171.2 million for 1H2020 to HK\$256.7 million for 1H2021; (ii) the MVP Segment from HK\$55.9 million for 1H2020 to HK\$74.5 million for 1H2021; and (iii) the Financial Services Segment from HK\$35.9 million for 1H2020 to HK\$66.4 million for 1H2021. Reasons for the changes in the relevant segment revenues are set out in the sections below.

Other income/expenses

Other income/expenses mainly represented bank interest income, interest income on credit-impaired loan receivables, government grant and others. Increase in other income was mainly due to a compensation income from a legal case in respect of the Qiankeng Property of HK\$13.9 million (1H2020: Nil).

Other gains and losses

Other gains and losses mainly included net gain on fair value changes of investment properties, revaluation surplus or deficit on property, plant and equipment and net foreign exchange gain or loss. Increase in other gains and losses was mainly due to increase in net gain on fair value changes of investment properties of HK\$628.7 million (1H2020: HK\$445.5 million) as a result of gentle growth in the Shenzhen properties market of which the Group’s major investment properties are located, which was partially offset by the net foreign exchange loss of HK\$59.7 million (1H2020: gain of HK\$60.5 million) during the period.

Impairment losses, net

Impairment losses, net mainly represented the expected credit loss on the loan receivables arising from the money lending business of HK\$6.7 million, which was partially offset by the reversal of impairment loss arising from trade receivables and receivables arising from securities broking business of HK\$3.4 million during the period.

Selling and distribution expenses

Selling and distribution expenses mainly included business development expenses and staff cost and depreciation of right-of-use assets for the retail shops. Increase in selling and distribution expenses was mainly due to inclusion of the selling and distribution expenses of the Department Store Segment upon completion of acquisition of The Sincere Company, Limited (the “Sincere”) of HK\$7.4 million (1H2020: Nil) during the period.

Administrative expenses

Administrative expenses mainly represented staff costs, depreciation of right-of-use assets and legal and professional fee. Increase in administrative expenses during the period was mainly due to the increase in legal and professional fee amounted to HK\$25.2 million (1H2020: HK\$4.5 million) in relation to the acquisition of Sincere.

Finance costs

Finance costs mainly included interest on bank borrowings and overdrafts and interest on loan from ultimate holding company. Interest on bank borrowings and overdrafts during the period amounted to HK\$311.9 million (1H2020: HK\$251.2 million). The Group’s bank borrowings and overdrafts amounted to HK\$10,359.5 million as at 30 June 2021 (30 June 2020: HK\$9,461.9 million).

Net profit

In 1H2021, the Group recorded a net profit of approximately HK\$53.1 million, which represented an increase of approximately HK\$5.1 million or 10.7% as compared to a net profit of approximately HK\$48.0 million for 1H2020. The increase was mainly attributable to (i) increase in net gain on fair value changes of investment properties by approximately HK\$183.1 million; and (ii) the net change of revaluation on property, plant and equipment by approximately HK\$19.8 million. The aforesaid effects to the Group’s financial results for 1H2021 were partly offset by (i) an increase in deferred tax expenses of approximately HK\$67.0 million mainly due to the increase in net gain on fair value changes of investment properties; (ii) the net exchange loss of approximately HK\$59.7 million incurred for 1H2021 mainly due to the appreciation of Renminbi (“RMB”) against Hong Kong dollars (“HK\$”) which was arisen from the remeasurement of liabilities of the Group denominated in RMB upon translation to HK\$ at the reporting date as at 30 June 2021 (1H2020: net foreign exchange gain of HK\$60.5 million); and (iii) the consolidation of operating loss of approximately HK\$9.6 million since the completion of the acquisition of Sincere in May 2021.

Financial review of each segment

The Property Segment

The revenue of the Property Segment was mainly derived from the rental income of the Group's investment properties. The Group generated aggregate rental income of approximately HK\$5.2 million in both 1H2020 and 1H2021. The Property Segment generated a segment profit of approximately HK\$313.9 million in 1H2021, representing an increase of approximately HK\$119.6 million or 61.6% as compared to that in 1H2020. The increase was mainly attributable to an increase in net gain on fair value changes of investment properties from approximately HK\$445.5 million in 1H2020 to approximately HK\$628.7 million in 1H2021. The increase in the value of investment properties was mainly attributable to the gentle growth in the Shenzhen property market of which the Group's major investment properties are located. During the period under review, the revaluation gain of Qiankeng Property amounted to HK\$240.6 million and the revalued amount of HK\$3,175.8 million was reclassified as properties under development when the Group commenced demolition of the properties for redevelopment.

The Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK\$66.4 million for 1H2021, which increased by 84.9% as compared to that of approximately HK\$35.9 million in 1H2020. The segment recorded a segment profit of approximately HK\$12.3 million for 1H2021 as compared to approximately HK\$3.8 million in 1H2020. The growth of both revenue and segment profit of the Financial Services Segment was mainly attributable to increase in services provided to its customers, including placing services and underwriting services for certain initial public offering ("IPO") projects as well as the increase in margin interest income, margin financing services and interest from the money lending.

The EP Segment

Through the larger scale and established suppliers' network of Realord Environmental Protection Japan Co., Ltd. ("Realord EP Japan"), during the period under review, the EP Segment generated revenue of approximately HK\$256.7 million, representing an increase of approximately 49.9% as compared to approximately HK\$171.2 million in 1H2020. The Group's segment profit for the EP Segment in 1H2021 increased by approximately 98.4% to HK\$17.5 million from that of approximately HK\$8.8 million in 1H2020. The increase in both revenue and segment profit was mainly attributable to the sharp increase of copper price and benefited from the sales performance of Realord EP Japan.

The MVP Segment

In 1H2021, the motor vehicle parts' demand from the MVP Segment's customers were increased, which was benefited by the Group's efforts on securing its motor vehicle parts supply. As a result, the revenue of the MVP Segment raised by approximately 33.3% in 1H2021 to HK\$74.5 million (1H2020: HK\$55.9 million). The segment profit increased from approximately HK\$2.2 million in 1H2020 to approximately HK\$3.4 million in 1H2021.

The Commercial Printing Segment

The uncertain business environment caused by the outbreak of COVID-19 epidemic since 1H2020 has adversely affected the capital market sentiment, and hence reduced the demand for our services, which hindered the business development efforts of the Group to improve its profitability. As such, the revenue from the Commercial Printing Segment decreased by approximately 18.7% to approximately HK\$30.7 million in 1H2021 (1H2020: HK\$37.7 million). Its segment loss improved from approximately HK\$1.5 million in 1H2020 to approximately HK\$1.1 million in 1H2021 as a results of slightly cost saving measures.

The Hangtag Segment

The revenue contribution of the Hangtag Segment to the Group was relatively minimal at approximately HK\$0.1 million in 1H2021 (1H2020: HK\$0.1 million). The segment loss derived from this segment was relatively minimal during the periods of 1H2021 and 1H2020.

The Department Store Segment

The Group completed the acquisition of Sincere in May 2021, which engaged in the operation of department stores, securities trading and the provision of general and life insurances. The Department Store Segment generated a revenue of approximately HK\$11.8 million since the completion of acquisition in May 2021, representing 2.7% of the Group's total revenue in 1H2021. Due to the continuous effect of the COVID-19 pandemic, the segment recorded a segment loss of approximately HK\$9.6 million in 1H2021.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. The Group's cash and bank balances as at 30 June 2021 amounted to approximately HK\$513.3 million (31 December 2020: HK\$1,268.3 million) which were mainly denominated in HK\$ and RMB (31 December 2020: HK\$ and RMB).

The gearing ratio of the Group as at 30 June 2021 was approximately 305.8% (31 December 2020: 309.6%), which is calculated based on the interest-bearing borrowings denominated in HK\$ and RMB (31 December 2020: HK\$ and RMB) of approximately HK\$11,142.3 million (31 December 2020: HK\$10,852.2 million) and divided by the equity attributable to owners of the Company of approximately HK\$3,643.3 million (31 December 2020: HK\$3,505.5 million). The interest bearing borrowings carried interest rate ranging from 2.15% to 7.60% per annum (31 December 2020: 2.15% to 7.60% per annum) with maturity ranging from within 1 year to 29 years (31 December 2020: within 1 year to 30 years).

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

Foreign exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi, while the Group held cash of approximately RMB212.6 million reserved for operating and treasury purpose as at 30 June 2021.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during 1H2021. The EP Segment of the Group used foreign currency forward contract for hedging purpose as at 30 June 2021.

Financial guarantees and charges on assets

As at 30 June 2021, corporate guarantees amounting to approximately HK\$9,974.2 million (31 December 2020: HK\$9,860.2 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\$9,766.2 million (31 December 2020: HK\$9,655.0 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and buildings and properties under development owned by the Group with a total net book value of approximately HK\$9,448.1 million (31 December 2020: HK\$11,839.2 million), approximately HK\$547.0 million (31 December 2020: HK\$363.8 million) and approximately HK\$3,175.8 million (31 December 2020: Nil) respectively.

BUSINESS REVIEW AND OUTLOOK

As the COVID-19 pandemic was under control and the implementation of COVID-19 vaccination programme continually increased, the global economy and business performance is expected to be recovered in 2021. Nonetheless, the trade tensions between the PRC and the United States of America continually casted uncertainties to the business sentiments and financial markets worldwide. As it is difficult to estimate how much longer the situation will persist, the Group is optimistic that there are still ample development opportunities for its various business segments in 2021. The Group will continue to adopt a prudent approach in achieving steady business development while exploring suitable strategic investment opportunities with an aim to maximise the returns to its Shareholders.

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

The Property Segment

The Group holds certain investment properties in Shenzhen, the PRC, including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District during the reporting period. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC government. Through the prolonged recovery of the COVID-19 pandemic, the development of these properties is expected to be further bolstered by the PRC government's development plan for the districts in the years to come.

Realord Villas Project

The Group holds commercial properties in Realord Villas Project, comprising a business apartment building, a shopping mall known as "Sincere Mall" (previously known as "Realord Mall"), retail shops, car parking spaces and other related facilities. Following the operation commencement of the northern extension (Qinghu Station - Niuhu Station) of Shenzhen Metro Line 4 in October 2020, it is expected that the accessibility of Realord Villas Project would be further enhanced given it is conveniently situated less than 100 meters away from the High-tech Zone East Station of Shenzhen Tram which is connected to Shenzhen Metro Line 4. Moreover, accessibility of the Project may be further optimized in the future, given that Guanhu Station of the proposed Shenzhen Urban Rail Line 22, as suggested by the "Detailed Traffic Plan of Shenzhen Urban Rail Line 22" compiled by the Shenzhen Municipal Bureau of Planning and Natural Resources in April 2020, will be situated adjacent to "Sincere Mall".

The renovation works of the business apartment building and shopping mall, which were initially scheduled to commence in June 2020, were delayed during the period under review as a result of the COVID-19 outbreak and are targeted to complete in the third quarter of 2021. Leasing of the investment properties is underway. Signed tenants included renowned supermarket, chained convenience store, restaurants, pharmacy store, laundry shop, fitness centre and beauty salon. However, due to the prolonged recovery of COVID-19 pandemic, the Group was still in discussion with certain potential tenants, such as big catering groups.

Realord Technology Park

Realord Technology Park is positioned to become an integrated venture capital platform in incubating innovative enterprises. According to the outline plan (《深圳市人民政府關於支持光明科學城打造世界一流科學城的若干意見》) drafted by the Shenzhen Municipal Planning and Natural Resources Bureau and Guangming District Government in April 2020, the Shenzhen Municipal People's Government supports to build a "Guangming Science City" in Guangming District. By 2025, the 99-square-kilometer science city is expected to take shape as a world-class science city gathering a number of world-class scientific facilities and innovative enterprises, and is projected to be a core functional area of the Guangdong-Hong Kong-Macao Greater Bay Area international innovation and technology hub. Located at Guangming District and proximate to the Fenghuang Town Station of Shenzhen Metro Line 6 inaugurated in August 2020, Realord Technology Park would be well-positioned to seize potential development opportunities arise in that area. The Group obtained the permit from relevant government authorities in respect of the increase in construction scale of Phase II of the Realord Technology Park in August 2021. Phase I and Phase II of the Realord Technology Park, which comprises office and apartment buildings, will be planned to develop once the government approval is granted.

Urban Renewal Projects

1. Qiankeng Property (Guan Zhang Electronic Factory) – Urban Renewal Project

The Qiankeng Property was acquired by the Group in June 2016. With the application submitted to Shenzhen Longhua District Urban Renewal Bureau on the change of land use from industrial to commercial and residential for redevelopment purpose in May 2017, the Group obtained the agreement in principle from relevant government authorities in respect of the Qiankeng Property in early 2020 that such redevelopment would be changed from indemnificatory housing to affordable commodity housing. The redevelopment plan of Qiankeng Property, which is regarded as a major renewal project of Longhua District, was principally agreed by the Urban Renewal Bureau in August 2020. The Group has been approved as the authorised developer of the project by the related government authorities in January 2021. Selection of design and construction proposals has been carried out and demolition of the existing factory and infrastructures has been completed by the Group in May 2021. The redevelopment works will be commenced once permits are obtained from relevant government authorities.

2. Laiying Garden – Urban Renewal Project

The Group was selected by relevant stakeholders as the market developer of the redevelopment of Laiying Garden located in Nanshan District, Shenzhen. Demolition of the existing residential units and infrastructures is expected to be commenced in late 2021 once government approval is granted.

3. Zhangkengjing Property

The Group acquired the Zhangkengjing property in September 2015, and applied to change its land use from industrial to commercial and residential for redevelopment purpose in February 2017. The application is being reviewed by the relevant government authorities as at the reporting date. Property units are currently used for rental purpose.

The Financial Services Segment

The Group's development strategy is to build a one-stop financial services platform with competitive advantage on branding and market positioning at the Greater Bay Area. In the first half of 2021, number of large-scale listings drive the continued activity of Hong Kong stock market. During the reporting period, the Group's Financial Services Segment has seen a steady growth. In regard of primary market, the Group provided more comprehensive services to its customers, such as placing agent and underwriting services as joint book runner of certain IPO projects as well as margin financing services. Meanwhile in the secondary market, against the backdrop of improvement of financial market, the Group achieved a significant growth in securities transaction volume, which has led to a significant year-on-year increase in brokerage fees. During the reporting period, the number of active clients has tripled compared with the same period in 2020.

The Group obtained a connection channel of trading and clearing for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, as well as a license for futures contract trading. Looking ahead into the second half of 2021, the Group will continue its efforts to expand its footprint in the Hong Kong primary and secondary markets, and to enhance the variety of investment products and geographical markets in achieving a more comprehensive portfolio in the year to come. Meanwhile, with an aim to further improve user experience and raise brand awareness, the Group is in the course of optimizing its software systems in relation to securities transaction while expanding its sales and marketing force.

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

The EP Segment

The EP segment remained to be the Group's major revenue contributor during the period under review. The overall performance of the EP Segment was benefited from the rise of copper price and the scale expansion of Realord EP Japan in 1H2021. The Group is targeting to consolidate its existing suppliers' network and broadening its sourcing network in Japan. Looking forward, the Group will look into alternatives such as deploying additional operation points in Kyushu in Japan, and seeking suitable venue options to develop a processing plant for smelting scrap materials with an aim to further lessen operational costs and improve profitability while sustain growth of the EP business. On 17 August 2021, Realord EP Japan served a notice to Tsugawa Metal Co., Ltd. ("Tsugawa Metal") to early terminate the service agreement in relation to the provision of technical services with effect from 1 September 2021 which is expected to be more cost efficient and allow more flexibility to Realord EP Japan. Meanwhile, the Group is exploring opportunities to conduct business with certain state-owned enterprises in the PRC, and investigating the potential of Southeast Asia markets such as Indonesia and Philippines.

The MVP Segment

Following its development strategy to expand the scale of its MVP business, the Group was able to secure sufficient product supplies before the COVID-19 outbreak, hence it succeeded to maintain a stable product supply to retaining old customers while attracting new customers despite the pandemic. The Group will continue its efforts on increasing MVP sales while maintaining the stability of its procurement network amid the challenges brought by COVID-19 pandemic.

The Commercial Printing Segment

Fundraising activities of small and medium-sized corporates in the capital market were affected and delayed during the COVID-19 pandemic. Number of IPO customers for the Group's Commercial Printing Segment dropped slightly which has casted certain impacts to the segment revenue and operating results during the reporting period. The Group will implement possible measures to control its operating costs whenever necessary and keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

The Hangtag Segment

In view of the sluggish market demand and dim outlook of the Hangtag Segment, the Group will continue to assess the continuity of the business operation in the near future.

The Department Store Segment

Looking forward, with the number of confirmed cases for the COVID-19 in Hong Kong maintained at a relatively low level and the ease of the social distancing polices implemented by the government previously, the foot traffic for our department stores had gradually recovered. The Group is of the view that the department store operations would be challenging with the new norm that COVID-19 would not die out in short run, but is still cautiously optimistic about our core department stores performance in the second half of the year. The Group will take a more cautious approach in its business planning to weather the current unfavourable environment.

LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in note 19 to the condensed consolidated financial statements, the Group has no other litigation and contingent liabilities.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in note 20 to the condensed consolidated financial statements, the Group has no significant events after the reporting period up to the date of this announcement.

DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2021 (For the six months ended 30 June 2020: Nil).

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 18 to the condensed consolidated financial statements, no other directors had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Company or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied with all code provisions in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

For the six months ended 30 June 2021, the Company has not redeemed any of its listed securities. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total workforce of 470, of whom 329, 107 and 34 were based in Hong Kong, the PRC and Japan. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance. The Group has established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has reviewed and determined the Group's remuneration policy, including the policy for the remuneration of executive directors, the levels of remuneration paid to executive directors and senior management of the Group. The Remuneration Committee comprises 3 members, namely Dr. Li Jue, Dr. Lin Xiaohui, and Mr. Yu Leung Fai. This Committee is chaired by Dr. Li Jue.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period under review.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Group has established an Audit Committee with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises 3 members, whom are independent non-executive directors, namely Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue. This Committee is chaired by Mr. Yu Leung Fai. The Audit Committee has reviewed with management about the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2021.

PUBLICATION OF THE INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.realord.com.hk>), and the 2021 interim report containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express its sincere gratitude to all our staff for their dedication and contribution, as well as to all our customers, suppliers, business associates and shareholders for their continuous support to the Group over the period.

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

Hong Kong, 26 August 2021

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