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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)

2023 INTERIM RESULTS ANNOUNCEMENT

The board (the “Board”) of directors (the “Directors”) 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 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023

		For the six months ended	
		30 June	30 June
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue			
– Goods and services		335,341	552,865
– Rental income		9,038	5,929
– Interest income		48,090	24,503
Total revenue	3	392,469	583,297
Cost of sales		(237,388)	(445,514)
Gross profit		155,081	137,783
Other income	5	16,544	14,727
Other gains, net	6	126,020	175,515
(Provision for)/Reversal of impairment losses, net		(27,639)	6,353
Gain on fair value changes of investment properties, net	11	434,302	390,158
Selling and distribution expenses		(42,303)	(51,339)
Administrative expenses		(144,481)	(162,147)
Finance costs	7	(390,606)	(357,220)
Profit before income tax		126,918	153,830
Income tax (expenses)/credit	8	(100,883)	50,259
Profit for the period		26,035	204,089
Attributable to:			
– Owners of the Company		48,561	51,275
– Non-controlling interests		(22,526)	152,814
		26,035	204,089
Earnings per share	10		
– Basic (HK cents)		3.371	3.561
– Diluted (HK cents)		3.368	3.554

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

for the six months ended 30 June 2023

	For the six months ended	
	30 June	30 June
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	26,035	204,089
Other comprehensive income/(expense)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gains on property, plant and equipment revaluation, net	–	10,346
Income tax relating to gains on property, plant and equipment revaluation	–	(245)
Changes in fair value of asset classified as held for sale	–	715
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(245,566)	(364,517)
Other comprehensive expense for the period, net of income tax	(245,566)	(353,701)
Total comprehensive expense for the period	(219,531)	(149,612)
Attributable to:		
– Owners of the Company	(169,747)	(266,336)
– Non-controlling interests	(49,784)	116,724
	(219,531)	(149,612)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

		As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		659,934	705,083
Prepaid lease payments		4,370	4,425
Investment properties	11	8,722,727	8,591,359
Goodwill		320,937	320,937
Other intangible assets		47,667	53,758
Equity instruments at fair value through other comprehensive income ("FVTOCI")		4,041	4,041
Prepayments, deposits and other receivables		210,455	205,922
Pension scheme assets		23,160	23,160
		9,993,291	9,908,685
Current assets			
Inventories		69,688	47,161
Properties under development		5,413,247	5,535,564
Trade receivables	12	518,469	570,604
Receivables arising from securities broking	12	472,913	518,400
Loan receivables	12	471,217	409,761
Prepayments, deposits and other receivables		375,928	343,906
Proposed development project		1,999,091	2,016,712
Financial assets at fair value through profit or loss ("FVTPL")		69,076	71,229
Amounts due from related parties		1,725	1,703
Tax recoverable		5,982	5,167
Cash held on behalf of clients		108,814	126,742
Restricted bank balances and deposits		87,666	142,143
Bank balances and cash		108,699	171,900
		9,702,515	9,960,992
Current liabilities			
Trade payables	13	98,315	97,100
Payables arising from securities broking	13	132,264	129,102
Contract liabilities		77,944	50,936
Insurance contracts liabilities		1,154	1,154
Other payables and accruals		580,499	383,685
Bank borrowings	14(a)	3,650,846	5,366,919
Other borrowings	14(b)	334,855	238,891
Amounts due to related parties		477,420	453,496
Lease liabilities		61,896	69,466
Tax payable		9,723	8,311
		5,424,916	6,799,060
Net current assets		4,277,599	3,161,932
Total assets less current liabilities		14,270,890	13,070,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

as at 30 June 2023

		As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Equity			
Share capital	15	144,071	144,071
Reserves		<u>3,298,650</u>	<u>3,468,397</u>
Equity attributable to owners of the Company		3,442,721	3,612,468
Non-controlling interests		<u>1,502,803</u>	<u>1,552,587</u>
		<u>4,945,524</u>	<u>5,165,055</u>
Non-current liabilities			
Other payables and accruals		956	7,120
Loans from ultimate holding company		2,558,359	2,394,760
Bank borrowings	14(a)	5,764,990	4,543,885
Other borrowings	14(b)	553	548
Lease liabilities		25,604	46,450
Deferred tax liabilities		<u>974,904</u>	<u>912,799</u>
		<u>9,325,366</u>	<u>7,905,562</u>
		<u>14,270,890</u>	<u>13,070,617</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 interim financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values.

The condensed consolidated interim 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 2022. The accounting policies and critical accounting judgements and estimates used in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for annual period beginning on 1 January 2023

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following amendments to HKFRSs which are mandatorily effective as of 1 January 2023.

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income taxes – Pillar Two Model Rules

The application of the amendments to HKFRSs had no material impact on the Group’s financial positions and performance for the current and prior periods have been prepared and presented.

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ¹

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2024.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amendments to HKFRSs are not expected to have a material impact on the Group’s condensed consolidated interim 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 the customers upon delivery;
- (ii) Revenue from dismantling, processing, trading and sales 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 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 sale of goods at the department stores is recognised at a point in time when the control of goods has been transferred to the customer upon purchase the goods at the department stores;
- (v) 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;
- (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 consultancy services on citizenship by investment programme ("CBI Programme") is recognised at a point in time when the CBI services have rendered to the clients;
- (viii) Revenue from commission from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients;
- (ix) Revenue from commission from counter and consignment sales at the department stores 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;
- (x) Revenue from sale of box office tickets is recognised at a point in time when the relevant film is exhibited;
- (xi) Revenue from rental income is recognised on a straight-line basis over the term of the lease; and
- (xii) Revenue from interest income from margin financing and money lending business is recognised on a time proportion basis using the effective interest method.

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	LAC HK\$'000	Cinema Operation HK\$'000	Total HK\$'000
For the six months ended										
30 June 2023 (Unaudited)										
Sales of goods										
- Motor vehicle parts	-	-	-	16,688	-	-	-	-	-	16,688
- Scrap materials	-	-	170,648	-	-	-	-	-	-	170,648
- Hangtags, labels, shirt paper boards and plastic bags	-	-	-	-	-	23	-	-	-	23
- Department store goods	-	-	-	-	-	-	53,464	-	-	53,464
	-	-	170,648	16,688	-	23	53,464	-	-	240,823
Rendering of services										
- Printing services	-	-	-	-	32,082	-	-	-	-	32,082
- Financial services	-	19,299	-	-	-	-	-	-	-	19,299
- Consultancy services	-	-	-	-	-	-	-	68	-	68
- Commission from securities broking	-	20,816	-	-	-	-	-	-	-	20,816
- Commission from counter and consignment sales	-	-	-	-	-	-	20,800	-	-	20,800
- Box office tickets	-	-	-	-	-	-	-	-	1,453	1,453
Revenue from contracts with customers	-	40,115	170,648	16,688	32,082	23	74,264	68	1,453	335,341
Revenue from gross rental income	8,939	-	-	-	-	-	99	-	-	9,038
Revenue from interest income from margin financing	-	20,045	-	-	-	-	-	-	-	20,045
Revenue from interest income from money lending business	-	28,045	-	-	-	-	-	-	-	28,045
Total	8,939	88,205	170,648	16,688	32,082	23	74,363	68	1,453	392,469
Timing of revenue recognition										
A point in time	-	20,816	170,648	16,688	-	23	74,264	68	1,453	283,960
Over time	-	19,299	-	-	32,082	-	-	-	-	51,381
	-	40,115	170,648	16,688	32,082	23	74,264	68	1,453	335,341
Revenue out of the scope of HKFRS 15										
Rental income	8,939	-	-	-	-	-	99	-	-	9,038
Interest income	-	48,090	-	-	-	-	-	-	-	48,090
Total	8,939	88,205	170,648	16,688	32,082	23	74,363	68	1,453	392,469

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	Department Store HK\$'000	LAC HK\$'000	Total HK\$'000
For the six months ended									
30 June 2022 (Unaudited)									
Sales of goods									
- Motor vehicle parts	-	-	-	54,156	-	-	-	-	54,156
- Scrap materials	-	-	356,087	-	-	-	-	-	356,087
- Hangtags, labels, shirt paper boards and plastic bags	-	-	-	-	-	116	-	-	116
- Department store goods	-	-	-	-	-	-	51,441	-	51,441
	-	-	356,087	54,156	-	116	51,441	-	461,800
Rendering of services									
- Printing services	-	-	-	-	31,784	-	-	-	31,784
- Financial services	-	14,254	-	-	-	-	-	-	14,254
- Consultancy services	-	-	-	-	-	-	-	3,320	3,320
- Commission from securities broking	-	24,385	-	-	-	-	-	-	24,385
- Commission from counter and consignment sales	-	-	-	-	-	-	17,322	-	17,322
Revenue from contracts with customers	-	38,639	356,087	54,156	31,784	116	68,763	3,320	552,865
Revenue from gross rental income	5,601	-	-	-	-	-	328	-	5,929
Revenue from interest income from margin financing	-	14,014	-	-	-	-	-	-	14,014
Revenue from interest income from money lending business	-	10,489	-	-	-	-	-	-	10,489
Total	5,601	63,142	356,087	54,156	31,784	116	69,091	3,320	583,297
Timing of revenue recognition									
A point in time	-	24,385	356,087	54,156	-	116	68,763	3,320	506,827
Over time	-	14,254	-	-	31,784	-	-	-	46,038
	-	38,639	356,087	54,156	31,784	116	68,763	3,320	552,865
Revenue out of the scope of HKFRS 15									
Rental income	5,601	-	-	-	-	-	328	-	5,929
Interest income	-	24,503	-	-	-	-	-	-	24,503
Total	5,601	63,142	356,087	54,156	31,784	116	69,091	3,320	583,297

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 nine (six months ended 30 June 2022: eight) operating segments as follows:

- (i) property investment, development and commercial operation (“Property Segment”);
- (ii) provision of corporate finance advisory, asset management, securities brokerage services, money lending and margin financing (“Financial Services Segment”);
- (iii) environmental protection industry, mainly dismantling, processing, trading and sales of scrap materials (“Environmental Protection Segment” or “EP Segment”);
- (iv) distribution and sale of motor vehicle parts (“Motor Vehicle Parts Segment” or “MVP Segment”);
- (v) provision of financial printing, digital printing and other related services (“Commercial Printing Segment”);
- (vi) 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 rental income from sublease of properties and the provision of general and life insurances (“Department Store Segment”);
- (vii) development of project in Grenada which integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities (“Latin America and Caribbean Segment” or “LAC Segment”).
- (viii) sales of hangtags, labels, shirt paper boards and plastic bags principally to manufacturers of consumer products (“Hangtag Segment”); and
- (ix) operation of a cinema located in the Mainland China with the exhibition of the film (“Cinema Operation Segment”).

During the six months ended 30 June 2023, Hangtag Segment and Cinema Operation Segment were being reported as “Others” as none of these segments met the quantitative thresholds for the reporting segments in both current and prior periods. No prior period segment disclosures have been re-presented as the Cinema Operation Segment included in “Others” has not yet commenced its business during the six months ended 30 June 2022.

Segment results represent 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 (loss)/gain on disposal of financial assets at FVTPL, net foreign exchange gain, revaluation surplus 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.

4. SEGMENT INFORMATION (Continued)

Segment assets exclude tax recoverable, bank balances and cash, equity instruments at FVTOCI, financial assets at FVTPL, pension scheme assets, amounts due from related parties and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain bank borrowings, certain other borrowings, tax payable, deferred tax liabilities, amounts due to related parties, 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.

(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	Department Store HK\$'000	LAC HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 30 June 2023 (Unaudited)									
Segment revenue									
– Sales to external customers	8,939	88,205	170,648	16,688	32,082	74,363	68	1,476	392,469
– Inter-segment sales	1,260	1,283	-	-	876	-	-	-	3,419
	10,199	89,488	170,648	16,688	32,958	74,363	68	1,476	395,888
Elimination of inter-segment sales									(3,419)
Revenue									<u>392,469</u>
Segment results	235,564	45,365	(21,641)	(2,589)	(4,591)	(7,385)	(18,354)	(158)	226,211
Bank interest income									1,200
Other income									821
Net foreign exchange gain									126,989
Realised loss on disposal of financial assets at FVTPL									(7)
Unrealised fair value loss on financial assets at FVTPL									(2,142)
Corporate expenses									(20,930)
Finance costs									(205,224)
Profit before income tax									<u>126,918</u>

4. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	Property HK\$'000	Financial Services HK\$'000	Environmental Protection HK\$'000	Motor Vehicle Parts HK\$'000	Commercial Printing HK\$'000	Department Store HK\$'000	LAC HK\$'000	Hangtag HK\$'000	Total HK\$'000
For the six months ended 30 June 2022 (Unaudited)									
Segment revenue									
- Sales to external customers	5,601	63,142	356,087	54,156	31,784	69,091	3,320	116	583,297
- Inter-segment sales	1,260	4,920	-	-	319	-	-	-	6,499
	6,861	68,062	356,087	54,156	32,103	69,091	3,320	116	589,796
Elimination of inter-segment sales									(6,499)
Revenue									<u>583,297</u>
Segment results	(430,069)	17,031	12,032	4,776	(3,583)	(24,752)	576,207	(33)	151,609
Bank interest income									325
Other income									583
Net foreign exchange gain									179,143
Revaluation surplus on property, plant and equipment									977
Realised gain on disposal of financial assets at FVTPL									202
Unrealised fair value loss on financial assets at FVTPL									(4,044)
Corporate expenses									(21,382)
Finance costs									<u>(153,583)</u>
Profit before income tax									<u>153,830</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>	Department Store <i>HK\$'000</i>	LAC <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2023 (Unaudited)									
Segment assets	14,474,910	1,309,212	477,668	159,884	25,001	716,745	2,272,882	5,518	19,441,820
Corporate and unallocated assets									253,986
Total assets									<u>19,695,806</u>
Segment liabilities	7,677,536	443,842	125,311	11,337	33,766	176,777	131,403	231	8,600,203
Corporate and unallocated liabilities									6,150,079
Total liabilities									<u>14,750,282</u>
As at 31 December 2022 (Audited)									
Segment assets	14,501,390	1,318,369	499,646	155,999	25,552	791,937	2,243,238	5,365	19,541,496
Corporate and unallocated assets									328,181
Total assets									<u>19,869,677</u>
Segment liabilities	7,775,088	522,733	124,198	5,675	28,082	247,219	71,548	156	8,774,699
Corporate and unallocated liabilities									5,929,923
Total liabilities									<u>14,704,622</u>

5. OTHER INCOME

	For the six months ended	
	30 June 2023 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000
Imputed interest income on gift receivable from Win Dynamic Limited (“Win Dynamic”)	8,616	7,877
Interest income on credit-impaired loan receivables	3,587	2,486
Government grants (<i>note</i>)	132	1,771
Bank interest income	1,200	325
Dividend income	821	1,051
Others	2,188	1,217
	<u>16,544</u>	<u>14,727</u>

Note: For the six months ended 30 June 2022, the government grants represented the Employment Support Scheme under the Anti-epidemic Fund granted from the Hong Kong Special Administrative Region Government, which aimed to provide financial support to the enterprises to retain employees who may otherwise be made redundant.

6. OTHER GAINS, NET

	For the six months ended	
	30 June 2023 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000
Gain/(loss) on disposal of property, plant and equipment	973	(827)
Gain on early termination of lease	–	64
Gain on lease modification	151	–
Revaluation surplus on property, plant and equipment	–	977
Realised (loss)/gain on disposal of financial assets at FVTPL	(7)	202
Unrealised fair value loss on financial assets at FVTPL	(2,142)	(4,044)
Net foreign exchange gain	126,989	179,143
Recovery of receivables arising from securities broking previously written off	56	–
	<u>126,020</u>	<u>175,515</u>

7. FINANCE COSTS

	For the six months ended	
	30 June 2023 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000
Interest on bank borrowings and overdrafts	273,594	293,186
Interest on other borrowings	11,270	1,251
Interest on loans from ultimate holding company	94,270	54,046
Interest on amounts due to related parties	1,184	1,727
Interest on loan from a related company	8,027	1,474
Finance charges on lease liabilities	2,261	4,698
Imputed interest on deferred consideration	–	838
	<u>390,606</u>	<u>357,220</u>

8. INCOME TAX EXPENSES/(CREDIT)

	For the six months ended	
	30 June 2023 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000
Current tax		
– Hong Kong	4,542	2,007
– Japan	–	115
– Other countries	14	36
Deferred tax	<u>96,327</u>	<u>(52,417)</u>
Income tax expenses/(credit)	<u>100,883</u>	<u>(50,259)</u>

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2023.

The PRC

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% (2022: 25%) for the six months ended 30 June 2023. For the six months ended 30 June 2023 and 2022, the Group did not generate any estimated assessable profits in the PRC.

8. INCOME TAX EXPENSES/(CREDIT) (Continued)

Japan

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for these taxes is 34.6% (2022: 28.0%) for the six months ended 30 June 2023. For the six months ended 30 June 2023, the Group did not generate any estimated assessable profits in Japan.

The subsidiaries of the Group incorporated in Grenada is subject to Corporation Tax in the Grenada (“Corporation Tax”). Corporation tax is calculated at 28% (2022: 28%) of the estimated assessable profits for the six months ended 30 June 2023. For the six months ended 30 June 2023, the Group did not generate any estimated assessable profits in Grenada.

9. DIVIDEND

No dividend was paid or proposed to ordinary shareholders of the Company during the six months ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on:

	For the six months ended	
	30 June	30 June
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share calculation (Profit for the period attributable to owners of the Company)	48,561	51,275
	1,440,709,880	1,440,080,046
	1,320,565	2,560,267
	1,442,030,445	1,442,640,313

11. INVESTMENT PROPERTIES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
At the beginning of the period/year	8,591,359	10,628,833
Additions	65	22,142
Disposals	(2,480)	(23,090)
Transfer to properties under development	–	(2,207,400)
Transfer to property, plant and equipment	–	(26,205)
Gain on fair value changes recognised in profit or loss, net	434,302	997,731
Exchange realignment	(300,519)	(800,652)
	<u>8,722,727</u>	<u>8,591,359</u>
At the end of the period/year	<u>8,722,727</u>	<u>8,591,359</u>

As at 30 June 2023 and 31 December 2022, certain investment properties of the Group were pledged to secure general banking facilities and other borrowings granted to the Group, details of which are set out in notes 14(a) and 14(b) respectively.

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

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Trade receivables, goods and services	577,382	603,038
Less: allowance for credit losses	<u>(58,913)</u>	<u>(32,434)</u>
Trade receivables, net	<u>518,469</u>	<u>570,604</u>
Receivables arising from securities broking conducted in the ordinary course of business:		
– Clearing house	28,388	42,784
– Cash clients accounts receivable	21,451	19,711
– Loans to margin clients	424,537	457,211
Less: allowance for credit losses	<u>(1,463)</u>	<u>(1,306)</u>
Receivables arising from securities broking, net	<u>472,913</u>	<u>518,400</u>
Receivables arising from money lending conducted in the ordinary course of business:		
– Loan receivables	520,665	458,927
Less: allowance for credit losses	<u>(49,448)</u>	<u>(49,166)</u>
Loan receivables, net	<u>471,217</u>	<u>409,761</u>
	<u>1,462,599</u>	<u>1,498,765</u>

Trade receivables

The credit periods are generally one to three months (31 December 2022: 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.

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

Trade receivables (Continued)

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current to 30 days	54,056	121,459
31 to 60 days	18,684	33,946
61 to 90 days	9,348	36,893
91 to 365 days	258,053	279,807
Over 1 year	178,328	98,499
	518,469	570,604

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 receivables from clearing house and cash clients accounts receivable arising from the ordinary course of business of securities broking is two (31 December 2022: 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.

No ageing analysis of receivables from clearing house, cash clients accounts receivable and loan receivables from margin clients is disclosed as, in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the receivables from clearing house, the cash clients accounts receivable arising from securities broking and the revolving margin loans.

Loan receivables

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

No ageing analysis of loans to money lending clients is disclosed as in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the money lending loans.

13. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Trade payables	<u>98,315</u>	<u>97,100</u>
Payables arising from securities broking conducted in the ordinary course of business:		
– Cash and margin clients accounts payable	<u>132,264</u>	<u>129,102</u>
	<u><u>230,579</u></u>	<u><u>226,202</u></u>

The credit period of trade payables ranges from 60 to 90 days (31 December 2022: 60 to 90 days). The normal settlement terms of payable arising from securities broking are two (31 December 2022: two) trading days after the trade date.

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current to 30 days	58,886	77,281
31 to 60 days	8,309	3,992
61 to 90 days	4,590	1,003
Over 90 days	<u>26,530</u>	<u>14,824</u>
	<u><u>98,315</u></u>	<u><u>97,100</u></u>

Included in cash and margin clients accounts payable is cash held on behalf of clients amounted to HK\$108,814,000 (31 December 2022: HK\$126,742,000), which represented those clients' undrawn monies/excess deposits placed with the Group. As at 30 June 2023, the cash clients accounts payable included an amount of HK\$122,000 (31 December 2022: HK\$114,000) 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 directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

14. BANK BORROWINGS AND OTHER BORROWINGS

(a) Bank borrowings

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Bank borrowings		
– Secured	<u>9,415,836</u>	<u>9,910,804</u>

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

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Carrying amount of bank borrowings are repayable (note (iv)):		
– Within one year	3,287,611	4,846,640
– More than one year but not more than two years	4,089,300	2,749,012
– More than two years but not more than five years	533,875	557,469
– Over five years	<u>1,141,815</u>	<u>1,237,404</u>
	9,052,601	9,390,525
Carrying amount of bank borrowings that contains a repayment on demand clause and included in current portion	<u>363,235</u>	<u>520,279</u>
	9,415,836	9,910,804
Less: amounts due within one year shown under current liabilities	<u>(3,650,846)</u>	<u>(5,366,919)</u>
Amounts shown under non-current liabilities	<u>5,764,990</u>	<u>4,543,885</u>

14. BANK BORROWINGS AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

Notes:

- (i) As at 30 June 2023, the Group's bank borrowings of HK\$363,235,000 (31 December 2022: HK\$520,279,000) bear interest rates from 1.50% to 2.60% (31 December 2022: 1.50% to 2.60%) over Hong Kong Interbank Offered Rate per annum.
- (ii) As at 30 June 2023, the Group's bank borrowing of HK\$220,350,000 (31 December 2022: HK\$223,045,000) bears interest rate of 2.85% (31 December 2022: 2.85%) below Prime Rate per annum.
- (iii) As at 30 June 2023, the Group's bank borrowings of HK\$8,832,251,000 (31 December 2022: HK\$9,167,480,000) bear fixed interest rates from 4.50% to 6.85% (31 December 2022: 4.46% to 6.85%) per annum.
- (iv) The amounts due are based on scheduled repayment dates set out in the loan agreements.
- (v) The Group's available banking facilities amounted to HK\$10,587,617,000 (31 December 2022: HK\$10,958,908,000), of which HK\$9,415,836,000 (31 December 2022: HK\$9,910,804,000) had been utilised at the end of the reporting period.
- (vi) Certain bank borrowings of the Group were guaranteed by the Company up to HK\$8,636,314,000 (31 December 2022: HK\$9,106,954,000), and the subsidiaries of the Group up to HK\$8,436,968,000 (31 December 2022: HK\$8,756,918,000).
- (vii) Certain bank borrowings of the Group were secured by certain of the Group's investment properties, leasehold land and buildings, properties under development and proposed development project with a carrying amount of HK\$8,644,227,000 (31 December 2022: HK\$8,511,979,000), HK\$543,521,000 (31 December 2022: HK\$556,738,000), HK\$3,203,983,000 (31 December 2022: HK\$3,328,164,000) and HK\$1,999,091,000 (31 December 2022: HK\$2,016,712,000) respectively at the end of the reporting period.
- (viii) Certain bank borrowings of the Group were secured by securities collateral pledged to the Group by margin clients with market value of HK\$78,790,000 (31 December 2022: HK\$400,674,000), the Group's marketable securities with an aggregate fair value of HK\$2,428,000 (31 December 2022: HK\$2,181,000) and shares of certain subsidiaries.
- (ix) Certain bank borrowings of the Group were secured by the Group's restricted bank balances and deposits of HK\$22,571,000 (31 December 2022: HK\$84,276,000).
- (x) Certain bank borrowings of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK\$9,254,480,000 (31 December 2022: HK\$9,592,413,000) and the related parties of the Group up to HK\$257,917,000 (31 December 2022: HK\$230,526,000).
- (xi) A bank borrowing of the Group was secured by the properties of the directors and controlling shareholders of the Company and guaranteed by the directors and controlling shareholders of the Company up to HK\$7,019,000 (31 December 2022: Nil).
- (xii) Except for bank borrowings of HK\$8,832,251,000 (31 December 2022: HK\$9,167,480,000) which are denominated in Renminbi ("RMB"), all other bank borrowings are denominated in HK\$.

14. BANK BORROWINGS AND OTHER BORROWINGS (Continued)

(b) Other borrowings

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Borrowings from financial institutions (<i>note (i)</i>):		
– Secured	56,140	57,890
Other borrowings (<i>note (ii)</i>):		
– Secured	138,951	73,000
– Unsecured	42,823	2,795
Notes payable (<i>note (iii)</i>):		
– Unsecured	<u>97,494</u>	<u>105,754</u>
	<u>335,408</u>	<u>239,439</u>

The contractual maturity dates of the other borrowings are as follows:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Carrying amount of other borrowings are repayable:		
– Within one year	169,764	108,001
– More than one year but not more than two years	<u>553</u>	<u>548</u>
	170,317	108,549
Carrying amount of other borrowings that contains a repayment on demand clause and shown under current liabilities		
– Within one year	<u>165,091</u>	<u>130,890</u>
	335,408	239,439
Less: amounts due within one year shown under current liabilities	<u>(334,855)</u>	<u>(238,891)</u>
Amounts shown under non-current liabilities	<u>553</u>	<u>548</u>

14. BANK BORROWINGS AND OTHER BORROWINGS (Continued)

(b) Other borrowings (Continued)

Notes:

- (i) The borrowings from financial institutions bear interest rate of 2.50% (31 December 2022: 2.50%) over Hong Kong Dollar Best Lending Rate per annum. The borrowings contain a repayment on demand clause and were guaranteed by the Company up to HK\$56,140,000 (31 December 2022: HK\$57,890,000), were secured by the Group's investment properties with a carrying amount of HK\$78,500,000 (31 December 2022: HK\$79,380,000) at the end of the reporting period.
- (ii) Included in other borrowings are
- (a) unsecured borrowings of HK\$42,823,000 (31 December 2022: HK\$2,795,000), which bear interest rate from 2.00% to 8.00% (31 December 2022: 2.00%) per annum and repayable on demand, except for an amount of HK\$553,000 (31 December 2022: HK\$548,000) which is not repayable in the next 12 months after the end of the reporting period;
- (b) certain secured borrowings of HK\$108,951,000 (31 December 2022: HK\$73,000,000) under repurchase agreement, which the Group is required to repurchase the pledged securities at pre-determined date and interest rates within 12 months from the end of the reporting period. Such borrowings are pledged with the securities from the margin clients with market value of HK\$245,187,000 (31 December 2022: HK\$149,560,000); and
- (c) a secured borrowing of HK\$30,000,000 (31 December 2022: Nil) from an independent third party bear fixed interest rate of 12.00% (31 December 2022: Nil) per annum. The borrowings were secured by securities collateral pledged to the Group by margin clients with market value of HK\$176,364,000 (31 December 2022: Nil) and guaranteed by the director and controlling shareholder of the Company, which is repayable in the next 12 months after the end of reporting period.
- (iii) The notes payable is unsecured, bears interest rate of 5.50% (31 December 2022: from 4.60% to 5.50%) per annum and repayable in the next 12 months after the end of the reporting period.

15. SHARE CAPITAL

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Authorised:		
20,000,000,000 (31 December 2022: 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:		
1,440,709,880 (31 December 2022: 1,440,709,880) ordinary shares of HK\$0.10 each	<u>144,071</u>	<u>144,071</u>

15. SHARE CAPITAL (Continued)

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

	Number of ordinary shares in issue	Share capital HK\$'000
As at 1 January 2022	1,439,709,880	143,971
Exercise of share options (<i>note</i>)	<u>1,000,000</u>	<u>100</u>
As at 31 December 2022 and 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>1,440,709,880</u>	<u>144,071</u>

Note: During the six months ended 30 June 2023, no shares has been issued and allotted under the existing share option scheme. For the year ended 31 December 2022, the Company issued 1,000,000 ordinary shares due to the exercise of share options under share option scheme by the option holders. The new shares rank pari passu with existing shares in all respects.

16. BUSINESS COMBINATIONS

On 18 February 2022, non-wholly owned subsidiaries of the Group entered into a share purchase agreement and share transfer agreement with independent third parties to acquire the entire issued share capital of Realord Century Service Company Limited (formerly known as “Hartman Education Service Limited”) and its subsidiary, Hartman Culture Development (Shanghai) Co., Ltd.* (哈特曼文化發展(上海)有限公司) (collectively referred to the “Realord Century Group”) and Realord Century Business Service (Shenzhen) Co., Ltd.* (偉祿世紀商務服務(深圳)有限公司) (formerly known as Hartman Immigration Consultancy Service (Shenzhen) Co., Ltd.* (哈特曼移民諮詢服務(深圳)有限公司)) (together with the Realord Century Group as the “Hartman Education Group”) at a total cash consideration of HK\$1,876,000. The principal activities of the Hartman Education Group are the provision of consultancy services on CBI Programme as a marketing agent. The acquisition was made as to obtain the marketing resources of the CBI Programme under the LAC Segment. The transactions were completed on 28 February 2022. Such series of acquisitions have been accounted for using the acquisition method.

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

	HK\$'000
Plant and equipment	231
Other intangible assets	14,524
Prepayments, deposits and other receivables	485
Bank balances and cash	470
Other payables and accruals	(11,437)
Deferred tax liabilities	<u>(2,397)</u>
Total identifiable net assets at fair value	<u>1,876</u>

* For identification purpose only

16. BUSINESS COMBINATIONS (Continued)

Goodwill arising on acquisition

	<i>HK\$'000</i>
Consideration transferred	1,876
Less: fair value of net identifiable assets acquired	<u>(1,876)</u>
	<u><u>–</u></u>

Net cash outflows on acquisition

	<i>HK\$'000</i>
Bank balances and cash acquired	470
Less: cash consideration paid	<u>(1,876)</u>
	<u><u>(1,406)</u></u>

17. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Contracted, but not provided for:		
– Capital injection in a joint venture engaged in securities brokerage business	377,954	392,604
– Investment properties	249,600	249,600
– Properties under development	122,830	121,271
– Leasehold improvements	21,082	22,765
	<u>771,466</u>	<u>786,240</u>

18. CONTINGENT LIABILITIES

Claim from former director of a subsidiary

As set out in the announcement of The Sincere Company, Limited (the “Sincere”) (Stock Code: 244), a non-wholly owned subsidiary of the Group, 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, chief executive officer and director 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 remunerations 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. Sincere was also advised that it has a bona fide dispute to the sum demanded by Mr. Philip Ma. 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.

On 21 June 2021, Sincere received a Forms of Claim dated 17 June 2021 by Mr. Philip Ma with the Labour Tribunal (the “LBTC Claim”). According to the said Forms 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 approximately 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 stated in the Statutory Demand pending the determination of the Labour Tribunal.

Call-over hearings in respect of the LBTC Claim were held at the Labour Tribunal on 8 July 2021 and 1 November 2021. Mr. Philip Ma increased his claim in the LBTC Claim to include additional claims that Sincere owed him an alleged partial unpaid director’s fees for the period from 1 March 2021 to 30 June 2021 and payment in lieu of annual leave entitlement; and in respect of the certain subsidiaries of Sincere, Mr. Philip Ma also included his claim for director’s fees and management fees for the period between March to June 2021 and certain entertainment allowance.

The LBTC Claim was subsequently transferred to Court of First Instance of the High Court of Hong Kong (the “High Court”), in which Mr. Philip Ma claimed a total sum of approximately HK\$12,064,000 by including the additional claims in the aforesaid paragraph and subsequently revised the claims to approximately HK\$12,442,000. Sincere has instructed its legal advisers to defend Mr. Philip Ma’s claims and make a counterclaim with a total sum of approximately HK\$71,600,000 in the High Court. Mr. Philip Ma disputed Sincere’s counterclaim. The Pre-Trial Review hearing in the Court proceedings took place on 17 August 2023 and the trial is expected to commence in December 2023.

19. LITIGATION

Deed and purported cancellation

On 15 May 2020, the Company and Sincere jointly announced a voluntary conditional cash offer (subject to the satisfaction or waiver (as the case may be) of certain pre-conditions) to acquire all of the issued shares of Sincere (the “Offer”). The then controlling shareholder of Sincere, Win Dynamic had executed an irrevocable undertaking to the Company that Win Dynamic would tender, or procure the tender of, all of its shares in Sincere to accept the Offer.

On 29 October 2020, Win Dynamic executed a deed in favour of Sincere at no consideration (the “Deed”). Pursuant to the Deed, Win Dynamic has irrevocably undertaken to Sincere to gift to Sincere the sum falling to be paid by the Company to Win Dynamic upon its acceptance of Offer relating to all the 662,525,276 shares of Sincere held by it, which was expected to amount to approximately HK\$260,443,000 (after deducting Win Dynamic’s ad valorem stamp duty). As disclosed in the announcement of Sincere dated 29 October 2020, Sincere at that time intended that this gift from Win Dynamic, when received, would be applied as working capital of Sincere and its subsidiaries (the “Sincere Group”).

On 4 February 2021, Sincere announced that the board of directors of Sincere (the “Sincere Board”) received a letter from Win Dynamic dated 3 February 2021 stating Win Dynamic’s declaration that the Deed was null and void and cancelled with immediate effect, for the purported reason that it was executed by Win Dynamic under undue influence and duress, given without separate legal representation or proper advice, and was an undervalue transaction pursuant to section 265D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Purported Cancellation”).

As stated in Sincere’s announcement dated 4 February 2021, the Sincere Board (with Mr. Philip Ma and Mr. Charles M W Chan (collectively the “Dissenting Directors”) disagreeing) did not admit that the Deed was null or void or had been cancelled. For the interest of Sincere and its shareholders as a whole, the Sincere Board resolved to include the review of the implication of the Purported Cancellation to the term of reference of the independent committee of the Sincere Board comprising independent non-executive directors, namely Mr. King Wing Ma, Mr. Eric K K Lo, Mr. Peter Tan and Mr. Anders W L Lau (collectively the “Sincere IBC”). The Sincere IBC later sought separate legal advice in respect of the Purported Cancellation.

In response to a letter from the legal adviser of the Sincere IBC to Win Dynamic requesting for evidence to support its reason for the Purported Cancellation, Win Dynamic responded in its reply letter that its professional adviser had advised it not to provide to Sincere any information relating to the Deed.

The Company was informed, amongst other things, that the Sincere Board (except for the Dissenting Directors) (i.e. the Sincere IBC) did not admit that the Purported Cancellation was valid or effective. In response to an email from the legal adviser of the Sincere IBC to the legal adviser of the Company requiring the proceeds received by Win Dynamic from its sale of shares of Sincere to the Company to be paid to Sincere and not Win Dynamic, the legal adviser of the Company responded, amongst other things, that the Company would conduct the Offer, including but not limited to the settlement of the cash consideration for the valid acceptances of the Offer, in accordance with the terms and conditions of the Offer and in compliance with the Code on Takeovers and Mergers.

19. LITIGATION (Continued)

Deed and purported cancellation (Continued)

On 12 May 2021, Sincere was informed by the legal adviser of the Company that the Company had issued a writ of summons (the “Writ”) in the High Court of the Hong Kong Special Administrative Region (the “Court”) against Win Dynamic on 10 May 2021 in relation to the Purported Cancellation (the “Action”). 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 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 approximately HK\$260,435,000 (the “WD Proceeds”).

The Company also applied to the Court for an interlocutory injunction against Win Dynamic (the “Injunction Application”) on 11 May 2021. On 14 May 2021, the Court granted an interim-interim injunction, which shall remain in force pending the substantive determination of the Injunction 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 assets a beneficial interest in them up to the value of the WD Proceeds.

Sincere on 16 July 2021 resolved that it was in the interest of Sincere and its shareholders to commence legal proceedings against Win Dynamic in relation to the Purported Cancellation. At the initiation of the Company, Sincere agreed to be joined as a party to the Action. By the consent of the Company and Win Dynamic, on 9 November 2021, the Court ordered, amongst other things, the Company be given leave to (i) join Sincere as the 2nd plaintiff and Mr. Philip Ma as the 2nd defendant in the Action; and (ii) amend the Writ and the statement of claim in relation to the Purported Cancellation.

On 15 November 2021, the Company and Sincere amended the statement of claim against Win Dynamic and Mr. Philip Ma. Sincere claimed against Win Dynamic and Mr. Philip Ma for, among others, (i) an order of specific performance of the Deed requiring Win Dynamic to forthwith pay Sincere the WD Proceeds, or such other sum as the Court may determine; and (ii) a declaration that the Deed is valid and binding, and Mr. Philip Ma had breached his contractual and/or fiduciary duties to Sincere.

19. LITIGATION (Continued)

Deed and purported cancellation (Continued)

Win Dynamic and Mr. Philip Ma filed and served their Defence and Counterclaim in the Action on 18 January 2022 and 14 March 2022 respectively. Win Dynamic and Mr. Philip Ma averred, among others, that the Company and Sincere were not entitled to any remedy against them. They further counterclaimed against the Company and Sincere for, among others, a declaration that the Deed is null and void and/or unenforceable, or alternatively, that the Deed was lawfully rescinded, cancelled or revoked by Win Dynamic and is of no legal effect.

Further details were disclosed in the announcements of Sincere dated 29 October 2020 and 4 February 2021, the offer document of the Company dated 5 May 2021 (the “Offer Document”) and the response document of Sincere dated 20 May 2021 (the “Response Document”).

The Company and Sincere filed and served their Reply and Defence to Win Dynamic’s Counterclaim on 10 May 2022, and their Reply and Defence to Mr. Philip Ma’s Counterclaim on 8 June 2022 respectively. The Company and Sincere averred that the Deed is enforceable and cannot be legal revoked.

The Company and Sincere filed and served their Re-Amended Statement of Claim on 14 November 2022. The Company and Sincere averred that Sincere is a joint promisee under the 2nd agreement together with the Company. The 2nd agreement of which the Deed is an integral part was intended to benefit Sincere and consisted of an undertaking or promise on the part of Win Dynamic to benefit Sincere, namely to vest the benefit of the WD Proceeds or an equivalent sum in Sincere, which shall be used as its working capital after the Company becomes its controlling shareholder.

Win Dynamic filed and served its Amended Defence and Counterclaim and Mr. Philip Ma filed and served his Amended Defence and Counterclaim on 9 December 2022. Win Dynamic and Mr. Philip Ma averred that the alleged 2nd Agreement (even if existed) and the Deed are null and void or unenforceable. They further averred that neither Dr. Lin Xiaohui (“Dr. Lin”), who had no authority to act on behalf of Sincere at the material time whether as alleged or at all, nor Mr. Philip Ma had agreed on behalf of Sincere that Sincere would apply the Win Dynamic Proceeds as working capital after the Company becomes the controlling shareholders of Sincere.

The Company and Sincere filed and served their Amended Reply and Defence to the Counterclaim of Win Dynamic, and their Amended Reply and Defence to the Counterclaim of Mr. Philip Ma on 9 February 2023. The Company and Sincere averred that Dr. Lin was acting on behalf of Sincere in respect of a promise which would take effect after the Company becomes Sincere’s controlling shareholder.

The date of trial has not been fixed.

During the year ended 31 December 2021, Sincere sought legal advice in respect of this litigation and was advised that (i) the Deed is enforceable; and (ii) Sincere has legal and contractual rights over the WD Proceeds. Therefore, the WD Proceeds is initially recognised as “Gift receivable from Win Dynamic” under “Prepayments, deposits and other receivables” with an amount of HK\$150,001,000, being the fair value of the WD Proceeds which is determined based on a credit-adjusted effective interest rate of 9.66%, with a corresponding gift receivable from the then controlling shareholder of Sincere recognised under “General and other reserves” which is under the book of Sincere Group.

As at 30 June 2023, the carrying amount of gift receivable from Win Dynamic (under non-current portion of “Prepayments, deposits and other receivables”) amounting to HK\$182,395,000, net of expected credit loss (the “ECL”) allowance of HK\$1,649,000 (As at 31 December 2022: HK\$174,401,000, net of ECL allowance of HK\$1,027,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group during the period under review included property investment, 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”); the operation of department stores, securities trading and the provision of general and life insurances (the “Department Store Segment”); and development of project in Grenada which integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities (“LAC Segment”).

Overall Financial Review

During the six months ended 30 June 2023 (the “1H2023”), the Group recorded a total revenue of HK\$392.5 million, representing a decrease of 32.7% as compared to that of the six months ended 30 June 2022 (the “1H2022”) of HK\$583.3 million. The Group recorded a net profit of HK\$26.0 million in 1H2023, which represented a decrease of HK\$178.1 million as compared to a net profit of HK\$204.1 million in 1H2022.

Revenue

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

	1H2023		1H2022		Increase/(decrease) in revenue	
	<i>HK\$’ million</i>	<i>% to total revenue</i>	<i>HK\$’ million</i>	<i>% to total revenue</i>	<i>HK\$’ million</i>	<i>% of changes</i>
Property Segment	8.9	2.2%	5.6	1.0%	3.3	58.9%
Financial Services Segment	88.2	22.5%	63.1	10.8%	25.1	39.8%
EP Segment	170.6	43.5%	356.1	61.0%	(185.5)	(52.1%)
MVP Segment	16.7	4.3%	54.2	9.3%	(37.5)	(69.2%)
Commercial Printing Segment	32.1	8.2%	31.8	5.5%	0.3	0.9%
Department Store Segment	74.4	19.0%	69.1	11.8%	5.3	7.7%
LAC Segment	0.1	0.0%	3.3	0.6%	(3.2)	(97.0%)
Others	1.5	0.3%	0.1	0.0%	1.4	1,400.0%
Total	392.5	100.0%	583.3	100.0%	(190.8)	(32.7%)

The Group's revenue decreased by HK\$190.8 million from HK\$583.3 million in 1H2022 to HK\$392.5 million in 1H2023. The decrease in revenue is mainly attributable to the net effect of (i) decrease in revenue in EP Segment of HK\$185.5 million since there was a significant decrease in copper demand from customers in the first quarter of 2023 under the high copper price; (ii) decrease in revenue in MVP Segment of HK\$37.5 million; and (iii) increase in revenue in Financial Services Segment of HK\$25.1 million. Reasons for the changes in the relevant segment revenue are set out in the section of financial review of each segment.

Other income

Other income mainly represented imputed interest income on gift receivable from Win Dynamic, interest income on credit-impaired loan receivables, government grants and bank interest income. The increase in other income from HK\$14.7 million in 1H2022 to HK\$16.5 million in 1H2023 was mainly resulted from the increase in imputed interest income on gift receivable by HK\$0.7 million and interest income on credit-impaired loan receivables by HK\$1.1 million.

Other gains, net

Other gains, net in 1H2023 amounted to HK\$126.0 million as compared to HK\$175.5 million in 1H2022. Other gains, net in 1H2023 mainly represented the net foreign exchange gain of HK\$127.0 million (1H2022: HK\$179.1 million) due to the depreciation of Renminbi during the period arising from the translation of liabilities denominated in Renminbi.

Provision for/Reversal of impairment losses, net

The Group recorded provision for impairment losses, net of HK\$27.6 million in 1H2023, as compared to reversal of impairment losses, net of HK\$6.4 million in 1H2022. The impairment losses, net represented the increase in expected credit losses of trade receivables of HK\$26.5 million (1H2022: reversal of impairment losses, net of HK\$8.3 million), receivables arising from securities broking of HK\$0.1 million (1H2022: HK\$0.6 million), loan receivables of HK\$0.3 million (1H2022: HK\$2.1 million) and other receivables of HK\$0.7 million (1H2022: reversal of impairment losses, net HK\$0.8 million). The turnaround was mainly due to increase in credit risk from the long outstanding trade receivables arising from EP Segment and MVP Segment.

Gain on fair value changes of investment properties, net

Gain on fair value changes of investment properties, net increased by HK\$44.1 million in 1H2023, as compared to that of 1H2022. The increase is attributable to the net effect of (i) gain on fair value changes of investment properties in Grenada by HK\$597.3 million in 1H2022. No such gain on fair value changes has recognised as the properties in Grenada were reclassified as properties under development since December 2022; and (ii) gain on fair value changes of investment properties in Hong Kong and the Mainland China of HK\$434.3 million in 1H2023 as compared to loss on fair value changes of investment properties in Hong Kong and the Mainland China of HK\$207.1 million in 1H2022, which was mainly attributable to the rebound from Hong Kong and the Mainland China property markets as compared to December 2022 after the full resumption of normal travel between the Mainland China and Hong Kong in February 2023.

Selling and distribution expenses

Selling and distribution expenses mainly represented (i) business development expenses, staff costs and depreciation of right-of-use assets for the retail shops; and (ii) amortisation of other intangible assets of customer relationship arising from the acquisition of Hartman Education Group. The decrease in selling and distribution expenses by HK\$9.0 million from HK\$51.3 million in 1H2022 to HK\$42.3 million in 1H2023 was mainly resulted from decrease in depreciation of right-of-use assets.

Administrative expenses

Administrative expenses mainly represented staff costs, depreciation of right-of-use assets and legal and professional fees. The decrease in administrative expenses by HK\$17.6 million from HK\$162.1 million in 1H2022 to HK\$144.5 million in 1H2023 mainly resulted from (i) the reduction of staff costs by HK\$5.9 million from Financial Services Segment and LAC Segment; (ii) the reduction of legal and professional fees by HK\$6.5 million since the one-off legal and professional fees incurred in legal procedures relating to Sincere Group reduced and the one-off tax consultancy fee incurred in 1H2022 relating to Property Segment which was not incurred in 1H2023; and (iii) the decrease in office expenses and travelling expenses by HK\$5.2 million.

Finance costs

Finance costs mainly represented interest on bank borrowings and overdrafts and interest on loans from ultimate holding company. Finance costs increased by HK\$33.4 million mainly due to the net effect of (i) increase in interest on loans from ultimate holding company by HK\$40.3 million arising from the increase in loans from ultimate holding company from HK\$1,514.0 million as at 30 June 2022 to HK\$2,558.4 million as at 30 June 2023; (ii) increase in interest on other loans by HK\$10.0 million, and (iii) decrease in interest on bank borrowings and overdrafts of HK\$19.6 million due to the decrease in loan interest expenses incurred for the borrowings denominated in RMB as a result of depreciation of Renminbi.

Net profit

The Group's net profit decreased by HK\$178.1 million from HK\$204.1 million in 1H2022 to HK\$26.0 million in 1H2023. The reduction in net profit was resulted from (i) the decrease in net foreign exchange gain of HK\$52.1 million as mentioned above; (ii) increase in impairment losses, net of HK\$34.0 million from reversal of impairment losses, net in 1H2022 to provision for impairment losses, net in 1H2023; (iii) increase in finance costs of HK\$33.4 million; and (iv) decrease in gain on fair value changes (net of deferred tax expense/credit) of investment properties, net of HK\$109.3 million.

The aforesaid effect was partially offset by (i) increase in gross profit of HK\$17.3 million; and (ii) decrease in selling and distribution expenses and administrative expenses by HK\$9.0 million and HK\$17.6 million respectively as mentioned above.

Financial Review of Each Segment

Property Segment

The revenue of Property Segment was mainly derived from the rental income of investment properties. The Group generated rental income of HK\$8.9 million in 1H2023 (1H2022: HK\$5.6 million). The increase in rental income was mainly resulted from the increase in number of tenants of Sincere Mall.

The Property Segment recorded a segment profit of HK\$235.6 million in 1H2023 (1H2022: segment loss of HK\$430.1 million). The turnaround was mainly attributable to the gain on fair value changes of investment properties, net of HK\$434.3 million in 1H2023 (1H2022: loss on fair value changes, net of HK\$207.1 million). Reasons for the changes are set out in “Gain on fair value changes of investment properties, net” above.

The Financial Services Segment

The revenue of Financial Services Segment increased by HK\$25.1 million from HK\$63.1 million in 1H2022 to HK\$88.2 million in 1H2023. The increase in revenue was mainly due to the increase in interest income from margin financing and money lending business by HK\$6.0 million and HK\$17.5 million respectively.

The Financial Services Segment recorded a segment profit of HK\$45.4 million in 1H2023, representing an increase of HK\$28.4 million as compared to HK\$17.0 million in 1H2022. The increase in segment profit was mainly attributable to the net effect of: (i) increase in revenue of HK\$25.1 million; (ii) increase in interest income on credit-impaired loan receivables of HK\$1.1 million; and (iii) decrease in staff costs of HK\$2.6 million.

The EP Segment

The revenue of EP Segment decreased by HK\$185.5 million from HK\$356.1 million in 1H2022 to HK\$170.6 million in 1H2023 since there was a significant decrease in copper demand from customers in the first quarter of 2023 as the copper price from suppliers significantly increased during the period.

The EP Segment suffered a segment loss of HK\$21.6 million in 1H2023, as compared to segment profit of HK\$12.0 million in 1H2022. The turnaround of performance was mainly attributable to the lower of gross profit margin and increase in expected credit losses from long outstanding trade receivables resulting from the delay in repayments from customers.

The MVP Segment

The revenue of MVP Segment decreased by HK\$37.5 million from HK\$54.2 million in 1H2022 to HK\$16.7 million since market of the Mainland China experienced a slow and uncertain recovery even the full resumption of normal travel between the Mainland China and Hong Kong in February 2023.

The MVP Segment recorded the segment loss of HK\$2.6 million in 1H2023 (1H2022: segment profit of HK\$4.8 million). The turnaround of performance was mainly attributable to the increase in expected credit losses from long outstanding trade receivables as a result of the delay in repayments from customers.

The Commercial Printing Segment

The uncertain business environment kept adversely affected the capital market sentiment, and hence the demand for services was kept at a low growth rate. Despite of the challenging business environment, the revenue from the Commercial Printing Segment slightly increased by HK\$0.3 million from HK\$31.8 million in 1H2022 to HK\$32.1 million in 1H2023.

The Commercial Printing Segment recorded a segment loss of HK\$4.6 million in 1H2023 as compared to that of HK\$3.6 million in 1H2022. The increase in segment loss of Commercial Printing Segment was mainly due to the subsidies from the Employment Support Scheme under the Anti-epidemic Fund granted from the Hong Kong Government in 1H2022, whereas no such subsidies in 1H2023.

The Department Store Segment

The revenue of the Department Store Segment increased by HK\$5.3 million from HK\$69.1 million in 1H2022 to HK\$74.4 million in 1H2023 resulting from the gradual recovery of economic activities in Hong Kong and the reopening of border with the Mainland China in 1H2023.

The segment loss of Department Store Segment was improved from HK\$24.8 million in 1H2022 to HK\$7.4 million in 1H2023 which was mainly attributable to (i) improvement in gross profit margin from 55% to 59%; and (ii) decrease in depreciation of right-of-use assets of HK\$11.0 million as one of Sincere's stores closed in late 2022 and due to the rent concession obtained for the department store operation.

LAC Segment

The revenue generated from consultancy services under CBI programme was HK\$0.1 million in 1H2023 (1H2022: HK\$3.3 million). The segment loss of LAC Segment was HK\$18.4 million (1H2022: segment profit of HK\$576.2 million) which mainly comprised staff costs, depreciation of right-of-use assets and short-term rental expenses. The segment profit in 1H2022 was mainly due to the gain on fair value changes of investment properties in Grenada of HK\$597.3 million, which was not incurred in 1H2023 as the properties were reclassified as properties under development in December 2022. Reasons for the changes are set out in "Gain on fair value changes of investment properties, net" above.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flows, cash reserves, banking facilities, other borrowings 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 2023 amounted to HK\$108.7 million (31 December 2022: HK\$171.9 million) which were mainly denominated in HK\$ and RMB (31 December 2022: HK\$ and RMB).

The gearing ratio of the Group as at 30 June 2023 was 370.0% (31 December 2022: 358.5%), which is calculated based on the interest-bearing borrowings denominated in HK\$ and RMB (31 December 2022: HK\$ and RMB) of HK\$12,738.5 million (31 December 2022: HK\$12,950.0 million) and divided by the equity attributable to owners of the Company of HK\$3,442.7 million (31 December 2022: HK\$3,612.5 million). The interest-bearing borrowings carried interest rate ranging from 3.15% to 12.00% per annum (31 December 2022: 3.025% to 8.625% per annum) with maturity ranging from within 1 year to 27 years (31 December 2022: within 1 year to 28 years).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities, other borrowings 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. The presentation currency of the Group is Hong Kong dollars.

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 shall adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 30 June 2023 (31 December 2022: Nil).

Financial guarantees and charges on assets

For the bank borrowings as at 30 June 2023, corporate guarantees amounting to HK\$8,636.3 million (31 December 2022: HK\$9,107.0 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to HK\$8,587.3 million (31 December 2022: HK\$8,957.0 million) was given to banks in the Mainland China by the Company for the provision of general banking facilities granted to its subsidiaries in the Mainland China. 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, properties under development and proposed development project owned by the Group with a total net book value of HK\$8,644.2 million (31 December 2022: HK\$8,512.0 million), HK\$543.5 million (31 December 2022: HK\$556.7 million), HK\$3,204.0 million (31 December 2022: HK\$3,328.2 million) and HK\$1,999.1 million (31 December 2022: HK\$2,016.7 million) respectively. Meanwhile, personal guarantees amounting to HK\$9,254.5 million (31 December 2022: HK\$9,592.4 million) were given to banks by the directors and controlling shareholders of the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to HK\$257.9 million (31 December 2022: HK\$230.5 million) was given to banks by the related parties of the Group for the provision of general banking facilities granted to its subsidiaries. In addition, the general banking facilities granted to the subsidiaries of the Company were secured by securities collateral pledged to the Group by margin clients with market value of HK\$78.8 million (31 December 2022: HK\$400.7 million), the Group's marketable securities with an aggregate fair value of HK\$2.4 million (31 December 2022: HK\$2.2 million), shares of certain subsidiaries and certain directors' properties. Besides, certain bank borrowings were secured by the Group's restricted bank balances and deposits of HK\$22.6 million (31 December 2022: HK\$84.3 million).

For the other borrowings from financial institutions as at 30 June 2023, corporate guarantees amounting to HK\$56.1 million (31 December 2022: HK\$57.9 million) were given to the financial institutions by the Company for the provision of loans granted to the subsidiaries. Besides, the loans granted to the subsidiaries of the Company were secured by legal charges on certain investment properties with carrying amount of HK\$78.5 million (31 December 2022: HK\$79.4 million). In additions, certain other borrowings to the subsidiaries of the Company were under repurchase agreement by using the securities collateral pledged to the Group by margin clients with market value of HK\$245.2 million (31 December 2022: HK\$149.6 million). Moreover, certain other borrowings were secured by securities collateral pledged to the Group by margin clients with market value of HK\$176.4 million (31 December 2022: Nil). Besides, personal guarantees up to HK\$30.0 million (31 December 2022: Nil) were given to independent third party by a director and controlling shareholder of the Company for the provision of other borrowings granted to the Company.

Business Review of Each Segment

During the six months ended 30 June 2023, the global economy and business performance did not recover as the market expected even the full resumption of normal travel was implemented in February 2023 between the Mainland China and Hong Kong. The slow and uncertain recovery was resulted from the high inflation, the uncertain of global economic growth, the unstable international geopolitics specially the impact from Russo-Ukrainian war, and the strict regulation and supervision of various industries in the Mainland China. The recovery of economies was slower than previously expected.

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

The Property Segment

The Group holds three investment property projects namely Realord Villas and Zhangkengjing Property in Longhua District, and Realord Technology Park in Guangming District in Shenzhen, the PRC. The Group also holds proposed development project and properties under development namely Laiying Garden in Nanshan District and Qiankeng Property in Longhua District respectively in Shenzhen, the PRC. There are five property projects on hand as at 30 June 2023 (31 December 2022: five).

In 1H2023, there are various development progress of the five property projects. Firstly, for Realord Villas, upto the date of report, the number of tenants of Sincere Mall increased to 49 including children's amusement park, education training centres, restaurants, fitness studios and billiard room. Secondly, for Realord Technology Park, the construction scale is approximately 81,000 square meters and the development plan of Phase II will be started once government approval is granted. Thirdly, for Qiankeng Property, the construction scale is approximately 112,000 square meters and the redevelopment works will be commenced once permits are obtained from relevant government authorities. Fourthly, for Zhangkengjing Property, the application of change of land use from industrial use to residential apartments and commercial use is still under review as at the reporting date. Fifthly, for Laiying Garden, the Group obtained the land use permit from relevant government authorities in July 2023 and the redevelopment work is expected to be commenced once permits from relevant government authorities are granted.

The Financial Services Segment

In 1H2023, under the shadow of high inflation and sharply rising interest rate, the global market fell generally. However, as the epidemics returned to normal, the Financial Services Segment is committed to providing diversified and premium services to customers in the primary and secondary markets. The income of margin financing and IPO placing is rising continuously, which drives the Financial Services Segment has been steady growth in the sluggish market. The Group, together with 5 other independent third parties, had also applied for approval from the China Securities Regulatory Commission (“CSRC”) to establish a security company in Guangzhou Pilot Free Trade Zone, which is currently under review by CSRC. The Company will update the shareholders on the application’s progress when and as appropriate.

The EP Segment

The EP Segment remained to be the Group’s major revenue contributor which was benefited from the large scale of Realord EP Japan leased land in Osaka, Japan with approximately 19,609 square meters (4 pieces). The EP Segment is still looking into alternatives such as deploying additional operation points in Kyushu, Japan, searching for new sources of metal scraps throughout the Japan. The Group is also considering developing the European and American markets under the situation of sufficient funds for sustainable growth of the EP business.

The MVP Segment

Due to the slow and uncertain recovery in market of the Mainland China, the demand for motor vehicle parts was adversely affected in 1H2023. In order to maintain sustainable growth in business, the Group has to further strengthen its relationship with suppliers and explore new customer bases. The Group expected the demand for motor vehicle parts would increase upon the recovery of China economies.

The Commercial Printing Segment

Due to the slow down of financial markets in Hong Kong, there was decrease in demand of commercial printing services. Though the Group has downsized its scale of operations in order to minimize the operating costs, the segment still recorded segment losses in 1H2023. In order to maintain sustainable growth in business, the Group has to further strengthen its relationship with existing customers and explore new customer bases.

The Department Store Segment

In 1H2023, the revenue of department store operations increased by 8.0% against 1H2022 which was mainly attributable to the gradual recovery of economic activities in Hong Kong and the reopening of border with Mainland China in 1H2023. In the meantime, the Group continued to (i) adopt pro-active measures to reduce operating expenses; and (ii) liaise with landlord to obtain rental concession. As a result, the segment loss decreased by 70.2% as compared to 1H2022.

To maintain a healthy level of inventory, the clearance of out-of-season inventories continued to be the major goal during the 1H2023. The inventory level further reduced from HK\$29.4 million as at 31 December 2022 to HK\$26.2 million as at 30 June 2023 which resulted in a reversal of provision for inventories in 1H2023.

The LAC Segment

The principal business of the LAC Segment is the development of a project in Grenada (comprising 3 lots of land with admeasurement 450 acres situated at the Mt. Hartman area in the parish of Saint George) (the “Grenada Project”). The Grenada Project integrates a collection of international school campuses, apartments for student, commercial complex, hotel resorts, residential villas and other ancillary facilities. During the period under review, the LAC Segment continued its construction under the development plan on the Grenada Project. The Group established a management and marketing team with offices in Beijing, Shanghai, Shenzhen and Hong Kong and engaged consultants in Vietnam, the United States of America and Dubai to implement the marketing strategies formulated for promoting the citizenship by investments programmes.

The Government of Grenada granted the LAC Segment the “Approval Project Status” such that the LAC Segment can develop the Grenada Project on foreign investors’ funding in accordance with the local laws under Section 11 of the Grenada Citizenship by Investment Act 15 of 2013 and a CBI Programme in Grenada. Through the CBI Programme, the LAC Segment is authorised to raise capital from investors of the Project for funding the construction and development costs. Qualified investors of the real properties will be granted permanent Grenadian citizenship and a passport offering visa-free travel to over 153 countries including the United Kingdom, EU Schengen countries and China. The Project marks a significant flag of our Group into the Caribbean region.

Outlook and Corporate Strategy

The Property Segment

The Group will focus on the five properties projects on hand, namely, the Qiankeng Property, the Laiying Garden, the Realord Villas, the Realord Technology Park and the Zhangkengjing Property to ensure that the Group stays in a good position in this segment.

The Financial Services Segment

As the epidemic of COVID-19 has been improving, and together with the Chinese and Hong Kong governments have made a series of measures to help economic recovery. The Group expected that Hong Kong's financial market and economic development will remain stable. The Financial Services Segment will continuously develop various investment products to meet the market's demand and provide diversified and premium services to customers in the international capital market. At the same time, the Financial Services Segment is expanding the sales and business teams to support our business development. This segment is expected to achieve stable business growth in 2023.

The EP Segment, the MVP Segment, the Commercial Printing Segment and the Department Store Segment

Looking forward, amidst the market uncertainties, the Group will continue to exercise extreme cautions in the operations of EP Segment, MVP Segment, Commercial Printing Segment and Department Store Segment with a view to controlling operating costs, minimising the credit risk exposures and expanding the customers base of the segments by strengthening their competitive edges among their competitors. The Group will continue to monitor the business plans, the associated risks and prospects of the operations of all segments, in order to maximise the return to the shareholders.

The LAC Segment

The Grenada Project presents a valuable opportunity for the Group to diversity its business and operations in the Caribbean and Latin American region and enables it to expand its scale of overseas operation. By inviting foreign investment under the CBI Programme of Grenada, the Group has embarked on the Grenada Project.

The Group is keen to leverage its experience in the Grenada Project to explore further investment opportunities around the Caribbean economic zone and Latin American region. The Group has further targeted to invest in four other Caribbean countries, namely Antigua and Barbuda, Saint Lucia, Saint Kitts and Nevis, and Dominica. These four countries, together with Grenada (altogether, the “Designated Caribbean Countries”), were ranked top five popular investment destination by CBI Programme by the magazine “Professional Wealth Management” published by “Financial Times” in 2021. Other than the Grenada Project, the Group is also in negotiation with the authorities of the Republic of Panama on a power generation project to be granted under the foreign investors investment scheme of the Republic of Panama. As seen, it is the corporate strategy of the Group to invest and/or to form joint ventures with local governments in the targeted countries to set up and develop new businesses taking advantage of raising capital from foreign investors through the CBI Programme of different countries. The Group has been identifying suitable investment projects in and develop appropriate business plans for each of the Designated Caribbean Countries and the Republic of Panama. After discussions with and obtaining support from the local governments of each of these Caribbean countries and the Republic of Panama, the Group will determine and proceed with the pertinent investment projects, with an aim to maximizing the return for the shareholders.

The Caribbean region has long been popular with the Western countries such as Europe, the United States of America and Canada, and is an ideal place for vacations. In particular, Antigua and Barbuda, and Saint Kitts and Nevis are closer to the United States of America, and both countries have direct flights to Europe, the United States of America and Canada. Before the outbreak of the epidemic, more than one million tourists visited these two countries every year, but the development of infrastructure such as hotels and tourism facilities lags behind. Tourists who travel to the Caribbean region are high-end consumer groups with relatively strong spending power. Thus, they generally demand higher qualities for hotels and tourism facilities. However, the tourism facilities have becoming obsolete, and the hotel buildings and supporting facilities have not been upgraded and renovated promptly. On the other hand, in view of the increasing awareness of global warming, these Caribbean countries, which are still mainly relying on traditional method of generating electricity, are encouraged to develop renewable energy. In view of these, the Group has identified four investment propositions to collaborate with the respective local governments to accelerate economic development of each country. These four areas include (i) the clean energy sector; (ii) the education sector; (iii) the tourism sector; and (iv) the retail sector. Environmental and economic benefits of using renewable energy include: (i) generating energy that produces no greenhouse gas emissions from fossil fuels and reduces some types of air pollution; (ii) diversifying energy supply and reducing dependence on imported fuels; and (iii) creating economic development and jobs in manufacturing and installation, etc.. Education, tourism and retail projects are organically integrated to create an ecosystem, providing employment opportunities, and boosting the local economy and people’s quality of life. The Group would also be able to embrace corporate social responsibility alongside with its stakeholders. The Group is confident that it can obtain support from local governments with favorable policy and initiatives.

It is the Group's strategy to seek for professional investors to jointly invest in the projects in the Designated Caribbean Countries and the Republic of Panama. Further, the Group is identifying capable and competent business partners with significant track record to participate in the projects. Subject to the planning and the feasibility studies of the projects as well as the requisite approval by the respective local government, it is expected that the Group would kick off the projects in the Designated Caribbean Countries and the Republic of Panama in near future.

CONTINGENT LIABILITIES

Save as disclosed in note 18 to the condensed consolidated interim financial statements, the Group has no other significant contingent liabilities as at 30 June 2023.

LITIGATION

Save as disclosed in note 19 to the condensed consolidated interim financial statements, the Group has no other significant litigation as at 30 June 2023.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

No significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associates companies during the six months ended 30 June 2023.

EVENTS AFTER REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2023 and up to the date of this report.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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 likely to complete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance practices. In the opinion of the Directors, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2023.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total workforce of 468, of whom 306, 113, 32 and 17 were based in Hong Kong, the Mainland China, Japan and Grenada. 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 Mr. Fang Jixin, Dr. Lin Xiaohui, and Mr. Yu Leung Fai. This Committee is chaired by Mr. Fang Jixin.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued Shares during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has established the 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 Mr. Ho Chun Chung, Patrick. 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 the review of the unaudited interim results for the six months ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS AND 2023 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 2023 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, 28 August 2023

As at the date of this announcement, the executive Directors are Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong and the independent non-executive Directors are Mr. Yu Leung Fai, Mr. Fang Jixin and Mr. Ho Chun Chung, Patrick.