



CCTI FORTIS

中 建 富 通 集 團 有 限 公 司

Stock Code : 138

2019

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chairman's statement

On behalf of the Board, I report the interim results of the Group for the six months ended 30 June 2019.

The first half of 2019 is a challenging period for the Group, as a result of global political and economic uncertainty and political unrest in Hong Kong. The protracted trade war between the USA and China, the world's two largest economies, has disrupted global supply chains and shaken financial markets. Furthermore, the business environment in Hong Kong is also further affected by the protests against the extradition bill, which started in June and are continuing as at the date of this interim report.

Given the adverse business environment, in the first half of 2019, the Company recorded a net profit attributable to owners of the parent of HK\$3 million.

INTERIM DIVIDEND

In view of deteriorating operating environment, the Group intends to conserve cash resources to combat the future challenges. Therefore, the Board did not recommend the payment of interim dividend for 2019 (2018: interim dividend of HK\$0.035 per Share).

BUSINESS REVIEW

The Group's array of diversified businesses comprises mainly:

- (i) property development, trading and investment;
- (ii) securities business;
- (iii) Blackbird's multi-faceted automotive business;
- (iv) investment and trading in time pieces;
- (v) cultural media and entertainment business; and
- (vi) industrial product business.



PROPERTY BUSINESS

The property prices in Hong Kong continued to rise generally in the first half of 2019. However, after the period end, this upward trend has reversed and property prices began to move downward, led mainly by the intensifying trade war between the USA and China and the political unrest in Hong Kong.

Property development and trading

During the first six months of 2019, overall retail sales in Hong Kong fell, as a result of the increasing global political and economic uncertainty and the growing political instability in Hong Kong, which have a negative impact on tourism and local consumption.

Our trading property portfolio comprises the two consequent floors of 18th floor and 19th floor at No.8 Russell Street, Causeway Bay. During the period under review, the value of these trading properties was steady. We rented out one floor of the Russell Street property for a satisfactory rental and continued to seek tenant for the other floor.

Property investment and holding

In the six months ended 30 June 2019, our investment property portfolio was able to record fair value gains of approximately HK\$46 million (30 June 2018: HK\$102 million), due to increase in property prices in Hong Kong. In addition, the property investment segment generated rental income of approximately HK\$6 million (30 June 2018: HK\$6 million).

We grasped the rising property market in the first half of 2019 and disposed of our previous office property at 31/F., Fortis Tower by way of a share sale at a consideration of HK\$158,750,000. The transaction was completed on 31 July 2019. An estimated gain of approximately HK\$79 million was realised from the disposal, which would be credited to the profit and loss account in the second half of 2019. The proceeds from the disposal has further improved the financial position of the Company. We may further divest investment in our property portfolio, as suitable opportunity arises.

Mainland property business

In the first half of 2019, our share of the net profit of the mainland property project in Xinjiang was approximately HK\$8 million. Xinjiang is positioned as the "Silk Road Economic Belt Core Area" under the Belt and Road Initiative (the "**Initiative**"), which is a significant development strategy launched by the Chinese Government with the intention of promoting economic co-operation among countries along proposed Belt and Road routes. The Initiative aims to connect Asia, Europe and Africa. It is intended to further market integration and create a regional economic co-operation framework of benefit to all. As Xinjiang is the main gateway of the Silk Road economic corridor to Central Asia and Europe, we believe Xinjiang has promising growth potentials under the Initiative. We invested in the Xinjiang property project with a view to take advantages of the preferential policies and the growth potentials under the Initiatives that may benefit Xinjiang.



SECURITIES BUSINESS

The stock market remained volatile in the six months ended 30 June 2019. The Hang Seng Index moved upward in the first quarter of 2019 from 25,845 points as at 31 December 2018. The share index reached the highest point in the period of 30,157 on 9 April 2019. Thereafter, the Hang Seng Index reversed its upward trend and the share index turned downward. The market volatility rose as the trade tensions between USA and China escalated. The Hang Seng Index fell to 28,542 points on 28 June 2019, the last trading day of the first half of 2019. After the period end, the Hang Seng Index plummeted in August 2019, as a result of the intensifying trade war between the USA and China and the increasing political unrest in Hong Kong.

The Company already felt the risk in the capital market in 2019 and therefore we focused our trading investment of approximately 28.5 billion shares of GBA Holdings, the price of which was steady in the first six months of 2019. We did not trade in other listed shares or securities in the stock market during the first six months. Therefore, our securities business recorded less than HK\$1 million operating loss in the current period.

BLACKBIRD GROUP

The Blackbird Group, under the leadership of its chief executive officer, Mr. TK Mak, is principally engaged in (i) the official dealership business and after-sales service for Ferrari in Hong Kong and Macau; (ii) a classic car trading and investment business; and (iii) a car logistics business. The management is very pleased with continuing development of the Blackbird Group's multi-faceted automotive businesses.

Ferrari dealership business

June 2019 marked the second anniversary of Blackbird Concessionaires' appointment as Hong Kong and Macau's official Ferrari dealer. During the half year under review and following the very successful introduction of the new Ferrari 488 Pista in 2018, Blackbird was pleased to present two more new cars. These were the special series model named 488 Pista Spider and the latest mid-engined V8 model, the F8 Tributo. Launch events for the 488 Pista Spider and F8 Tributo were arranged in Macau in January 2019 and in Hong Kong in June 2019, respectively. As a result of these activities, we received very strong and solid support from our customers and achieved many new car sales orders within a short period of time after each event.

In addition, the Ferrari factory launched its latest new car, the SF90 Stradale, at their factory in Italy in May. This was attended by a number of Hong Kong clients and once again, the car was received very well and we secured a number of orders immediately. Further events are planned by Ferrari in the second half of 2019, including the launch of more new cars.

Our Ferrari after-sales centre in Kwai Chung, which occupies about 70,000 square feet, opened and became operational in July 2018. This new facility is equipped to provide a full range of services including, but not limited to, repairing and maintenance, painting, body shop, pre-delivery inspection service and car storage. The facility has been very well received and strongly supported by customers.



During the six months ended 30 June 2019, the Ferrari dealership contributed a total revenue of approximately HK\$320 million (2018: HK\$120 million) to the Company, which represented significant growth compared to the first half of 2018. The dealership business began to generate profit in the first half and is expected to record profit in the second half.

We are achieving a strong performance with the Ferrari business in 2019 and in line with a growing order portfolio, we will deliver a record number of new cars in 2019. Like this year, Ferrari is also forecasting to launch a number of new models in 2020, all of which are expected to be well received by Hong Kong and Macau customers.

Classic cars trading and investment business

In 2019, the classic car market was affected by the global economic slowdown and the increasing trade tensions between the USA and China. Nevertheless, the Group sold an investment grade car from our portfolio, achieving a satisfactory return, in the first half of 2019.

The management remains cautiously optimistic over the long-term outlook of the classic car market.

Car logistics business

The Company's logistics business has performed very well during the first half of 2019 with a good operating margin. Continuing its expansion programme, new contracts were achieved with a number of significant automotive clients in Hong Kong and further opportunities remain under discussion. In addition, work continued in support of local importers, distributors, dealers, roadside assistance and insurance companies, racing organisations and private owners. The Company is also planning to open its new roadside assistance call centre within 2019.

Investment and trading in time pieces

Given the current strength of the portfolio of Blackbird Watch Manual, we have seen modest growth in values during the first half of 2019, although not as strong as during the previous period. This is the result of the wider economic environment and a lack of comparable watches coming to market, especially for the most important pieces, making it difficult to benchmark values in certain areas. Given this dearth of significant watches, there have been minimal additions to portfolios over the past six months.

Our partnership with Phillips auction house for a thematic auction of "Phillips & Blackbird: SPORTS" held in May was extremely successful. We saw strong income from the project with minimal overheads. There are discussions in place to continue similar projects in future years with Phillips and other auction houses. The project also raised our profile with other luxury brands, with one potential project likely to complete during the second half of the year, which may result in a new revenue stream that has the strong possibility to be recurring on an annual basis.



In June we launched the first print issue of Blackbird Watch Manual, which was well received by industry professionals and readers alike. A number of advertising partners were secured for this premier issue, and we already have interest from important brands for the next issue due in December, as well as those which are due to be produced in 2020. We expect revenue to increase for the print publication, which will be further helped by our editorial team expanding in the second half of 2019.

CULTURAL MEDIA AND ENTERTAINMENT BUSINESS

Our cultural media and entertainment operations comprise film operations, audio, lighting and stage engineering operations and artist management.

Film operations

The large scale crime thriller film entitled "Sons of the Neon Night" (風林火山) in which the Company has invested, has entered into the final stage of post-production. The cast for this film includes four very popular and foremost male actors from Hong Kong and Taiwan and popular actresses from Hong Kong and China. Management plans to present world premiere of this film in one of the international film festivals in 2020. This film will be released publicly in 2020 after its premiere show. It is expected this film will achieve high box office receipts.

Audio, lighting and stage engineering operations

During the period under review, amid stable growth of live pop music concert market in Hong Kong and China, we were engaged to provide services to more live pop concerts and events as compared with the same period of last year. Due to the trend of using more lighting and audio equipment in concerts without a corresponding increase in production budget and the general increase in production labour cost, the overall operating profit margin of the stage performance service operations fell during the period under review.

Concert organisers and artistes are asking for more creative and comprehensive services than in the past. In order to meet the increasing requirements of our customers, during the period under review, we acquired additional advanced lighting and audio equipment, and stage engineering equipment to meet the customers' expectations. With our experienced project team and the growth in live entertainment and event markets, our audio, lighting and stage engineering operations are expected to continue to grow in 2019 and in future years.



Artist management

The female singer who signed with our artist management company won numerous Chinese-pop music awards in Hong Kong and she has become one of the foremost singers in Hong Kong. During the period under review, our signer was very active. She performed in a number of concerts and she was engaged in various commercial events during the current period. We are delighted to announce that she will hold a live concert in the Hong Kong Coliseum in October 2019, which is expected to be one of Hong Kong's hottest pop music events in 2019. We have commenced production of the concert and our stage service teams will be engaged in providing audio, lighting and stage engineering services for her concert. It is expected that this concert project will further raise the popularity of the female singer and will also generate additional income to our artist management business as well as to our stage service operations.

INDUSTRIAL GROUP

The Industrial Group is engaged in the manufacturing of plastic components and the Child Products Trading Business. In the first half of 2019, the operations of the Industrial Group were affected by escalating trade tensions between the USA and China and keen competition and as a result, revenue fell 34.3% to HK\$65 million.

OUTLOOK

Looking forward, the global political and economic outlook remains uncertain, with escalating trade tensions amongst some of the largest economies in the world. It is expected that the risk of global economic downturn is increasing. We are also concerned about the continuous anti-government protests in Hong Kong, which has begun to have negative impact on the local economy. Given the current adverse business environment, we will conserve our cashflow and strengthen our financial position in order to combat the future challenges. Despite the deteriorating business environment which we encounter, we will continue to pursue our core strategy of achieving long-term sustainable growth of the Company and enhancing long-term value to the shareholders.

APPRECIATION

On behalf of the Board, I want to thank the directors, the management and all our employees for their dedication, loyalty and hard work during the period. I also want to thank our shareholders, investors, bankers, customers and suppliers for their continued encouragement and strong support to the Group.

Mak Shiu Tong, Clement

Chairman

Hong Kong, 29 August 2019



financial review

OVERVIEW OF THE FIRST HALF OF 2019 FINANCIAL RESULTS

HK\$ million	Six months ended 30 June		
	2019 (Unaudited)	2018 (Unaudited)	% increase/ (decrease)
Revenue	540	366	47.5%
(Loss)/Profit before tax	(9)	41	N/A
Tax credit	14	–	N/A
Profit for the period	5	41	(87.8%)
Attributable to			
– Owners of the parent	3	41	(92.7%)
– Non-controlling interests	2	–*	N/A
Profit for the period	5	41	(87.8%)
Earnings per share attributable to ordinary equity holder of the parent			
– Basic	HK\$0.003	HK\$0.047	(93.6%)
– Diluted	HK\$0.003	HK\$0.040	(92.5%)
Dividend per share	–	HK\$0.035	(100.0%)

* less than HK\$1 million

Review on financial results

The Group's revenue for 1H19 of HK\$540 million was HK\$174 million or 47.5% higher than 1H18. The increase in revenue was mainly attributable to growing revenue contribution from the Ferrari dealership.

In 1H19, the Company recorded a net profit attributable to owners of the parent of HK\$3 million (1H18: HK\$41 million). Amidst a deteriorating business environment, our financial performance is considered to be acceptable. We are pleased to see that the Ferrari dealership started to generate profit in 1H19 and we expect this business will contribute further profit in the second half.

Net profit attributable to non-controlling interests represented share of net profit by the minority shareholders of the audio, lighting and stage engineering operations.



ANALYSIS BY BUSINESS SEGMENT

HK\$ million	Revenue for the six months ended 30 June				
	2019 Amount (Unaudited)	Relative %	2018 Amount (Unaudited)	Relative %	% increase/ (decrease)
Property development and trading	2	0.4%	–	0.0%	N/A
Property investment and holding	6	1.1%	6	1.6%	0.0%
Securities business	–	0.0%	–	0.0%	N/A
Ferrari dealership	320	59.3%	120	32.8%	166.7%
Classic car trading and logistic business	12	2.2%	15	4.1%	(20.0%)
Investment in classic cars	8	1.5%	–	0.0%	N/A
Film operations	–	0.0%	–	0.0%	N/A
Audio, lighting and stage engineering operations	95	17.6%	94	25.7%	1.1%
Industrial Group	65	12.0%	99	27.1%	(34.3%)
Other operations	32	5.9%	32	8.7%	0.0%
Total	540	100.0%	366	100.0%	47.5%

HK\$ million	Operating profit/(loss) for the six months ended 30 June		
	2019 (Unaudited)	2018 (Unaudited)	% increase/ (decrease)
Property development and trading	2	11	(81.8%)
Property investment and holding	51	98	(48.0%)
Securities business	–*	(1)	Not computed
Ferrari dealership	10	(6)	N/A
Classic car trading and logistic business	5	(3)	N/A
Investment in classic cars	9	12	(25.0%)
Film operations	–*	(2)	Not computed
Audio, lighting and stage engineering operations	5	6	(16.7%)
Industrial Group	–*	(1)	Not computed
Other operations	(31)	(24)	29.2%
Total	51	90	(43.3%)

* less than HK\$1 million operating loss



Property development and trading

In 1H19, the property development and trading segment recorded an operating profit of HK\$2 million, which was derived from rental income of our trading properties. In 1H18, this segment recorded an operating profit of HK\$11 million, due to reversal of part of the impairment loss made previously.

Property investment and holding

The property investment and holding segment recorded revenue from rental income of HK\$6 million, same as last equivalent period. This segment recorded an operating profit of HK\$51 million (1H18: HK\$98 million), largely attributable to fair value gains arising from revaluation of our investment properties.

Securities business

In 1H19 and 1H18, we did not trade on the stock market and therefore our securities business did not have any revenue. This business segment recorded minimal operating loss of less than HK\$1 million during the current period (1H18: operating loss of HK\$1 million). In 1H19, we focused our financial investment in shares of GBA Holdings, whose price was stable during the period.

Ferrari dealership

Business of the Ferrari dealership has grown on a rapid pace. In 1H19, the dealership business achieved revenue of HK\$320 million, represented 166.7% increase from HK\$120 million in 1H18. We are happy that the dealership business began to generate profit and recorded an operating profit of HK\$10 million for the six months ended 30 June 2019 as opposed to an operating loss of HK\$6 million in the last equivalent period. This notable improvement in results was primarily due to growth of sales. We believe the dealership business will become one of the key drivers of the Group for growth of revenue and profitability in the future.

Classic car trading and logistic business and investment in classic cars

Despite the current difficult business environment, the classic car trading and investment segments continued to perform well in 1H19, contributing total operating profit of HK\$14 million (1H18: HK\$9 million) against revenue of HK\$20 million (1H18: HK\$15 million). The improvement of the segmental profit was mainly driven by gain from sale of classic cars and the fair value gains on our collection of classic cars held for investment.

Film operations

No revenue was recorded from the film operations in 1H19 and 1H18 as no income was received from our film projects. The film segment recorded an operating loss of less than HK\$1 million in 1H19 (1H18: loss of HK\$2 million).



Audio, lighting and stage engineering operations

This business segment delivered total revenue of HK\$95 million, broadly the same as in 1H18. Operating profit was HK\$5 million (1H18: HK\$6 million).

Industrial Group

The revenue of the Industrial Group of HK\$65 million in 1H19, was 34.3% lower than 1H18, due to less orders from customers. Operating loss was less than HK\$1 million, not much change from 1H18.

Other operations

Other operations comprise the classic car services center, the multimedia business, time pieces investment and trading, artist management and other new ventures which are in the development and start-up stage. The other operations' revenue of HK\$32 million, same as 1H18. This segment recorded an operating loss of HK\$31 million, represented 29.2% increase from HK\$24 million in 1H18. The segment continued to record losses, mainly led by start-up and development costs and operating expenses.

ANALYSIS BY GEOGRAPHICAL SEGMENT

HK\$ million	Revenue for the six months ended 30 June					
	2019		2018			
	Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %	% increase/ (decrease)	
Hong Kong, Macau and Mainland China	487	90.2%	292	79.8%	66.8%	
Europe	6	1.1%	17	4.6%	(64.7%)	
USA and others	47	8.7%	57	15.6%	(17.5%)	
Total	540	100.0%	366	100.0%	47.5%	

Most of the Group's revenue was generated in Hong Kong, Macau and Mainland China. The revenue from these regions of HK\$487 million was HK\$195 million or 66.8% higher than 1H18, driven mainly by the strong growth of revenue from the Ferrari dealership. Revenue from Europe decreased 64.7% to HK\$6 million, mainly due to fewer classic cars sold to the regions. The revenue from the USA and other regions of HK\$47 million (1H18: HK\$57 million), decreased by 17.5% due to decreasing sales of the Child Products to the regions.



CAPITAL STRUCTURE AND GEARING RATIO

HK\$ million	30 June 2019		31 December 2018	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Bank borrowings	1,797	37.0%	1,592	34.9%
Lease liabilities/ finance lease payable	99	2.0%	6	0.1%
Total borrowings	1,896	39.0%	1,598	35.0%
Equity	2,962	61.0%	2,963	65.0%
Total capital employed	4,858	100.0%	4,561	100.0%

The Group's gearing ratio was 39.0% as at 30 June 2019, marginally higher than the gearing ratio of 35.0% as at 31 December 2018. The Company continued to maintain a relatively low gearing ratio, in order to combat the current difficult operating environment.

Total outstanding bank and other borrowings amounted to HK\$1,896 million as at 30 June 2019 (31 December 2018: HK\$1,598 million). Most of the Group's bank and other borrowings are long-term bank loans.

As at 30 June 2019, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth years and beyond five years amounted to HK\$369 million, HK\$813 million and HK\$714 million, respectively (31 December 2018: HK\$236 million, HK\$799 million and HK\$563 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.



LIQUIDITY AND FINANCIAL RESOURCES

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets	2,118	1,824
Current liabilities	928	642
Net current assets	1,190	1,182
Current ratio	228.2%	284.1%

The Group's current ratio was 228.2% as at 30 June 2019 (31 December 2018: 284.1%), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was HK\$1,190 million, which had no significant change from the last corresponding period.

As at 30 June 2019, the Group's cash balance was HK\$274 million (31 December 2018: HK\$162 million), of which HK\$76 million (31 December 2018: HK\$35 million) was pledged to secure banking facilities. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 30 June 2019, there was no capital commitment of the Group (31 December 2018: nil).

TREASURY MANAGEMENT

The Group employs a prudent approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group did not have any significant interest rate risk in 1H19 as the interest rates currently remain at low level.

The Group did not have any significant exchange risk in the 1H19. We will continue to monitor the currency exposure but we have no intention to enter into any high-risk exchange derivatives.



ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

On 26 April 2019, the Company as the guarantor, Great Precision Group Limited (an indirect wholly-owned subsidiary of the Company) as the vendor and an independent third party as the purchaser entered into a provisional agreement (the **"Provisional Agreement"**) in relation to the sale of total issued capital of Charter Base Development Limited (the **"Target Company"**) and assignment of the shareholder's loan at a total consideration of HK\$158,750,000 (the **"Disposal"**); and on 18 June 2019, the parties to the Provisional Agreement entered into the formal agreement (the **"Formal Agreement"**) in respect of the Disposal. The Target Company was an indirect wholly-owned subsidiary of the Company and holds the property at 31/F., Fortis Tower, 77–79 Gloucester Road, Hong Kong. All the conditions precedent to the completion of the Formal Agreement had been fulfilled and completion of the Disposal took place on 31 July 2019. After completion of the Disposal, the Company does not hold any equity interest in the Target Company, which ceased to be a subsidiary of the Company.

Save as stated above and disclosed in this interim report, the Group did not acquire or dispose of any material subsidiaries and associates during the period under review.

CHARGES ON ASSETS

As at 30 June 2019, certain assets of the Group with a net book value of HK\$2,603 million (31 December 2018: HK\$2,563 million) and time deposit of HK\$76 million (31 December 2018: HK\$35 million) were pledged to secure the Group's bank loans. Save as disclosed above, the Group did not have any other charges on its assets.

CONTINGENT LIABILITIES

The Company's contingent liabilities are set out in note 15 to the financial statements in this interim report.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2019 was 467 (31 December 2018: 467). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and participants of the Group's approved share option scheme. At 30 June 2019, there were no outstanding share options issued by the Company.



interim results

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

HK\$ million	Notes	Six months ended 30 June	
		2019 (Unaudited)	2018 (Unaudited)
REVENUE	3	540	366
Cost of sales		(440)	(312)
Gross profit		100	54
Other income and gains		67	147
Selling and distribution expenses		(6)	(5)
Administrative expenses		(130)	(118)
Finance costs		(46)	(37)
Share of profits of a joint venture		8	—
Share of losses of an associate		(2)	—
(LOSS)/PROFIT BEFORE TAX	5	(9)	41
Tax credit	6	14	—
PROFIT FOR THE PERIOD		5	41
Attributable to:			
Owners of the parent		3	41
Non-controlling interests		2	—
		5	41
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic		HK\$0.003	HK\$0.047
— Diluted		HK\$0.003	HK\$0.040



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5	41
Attributable to:		
Owners of the parent	3	41
Non-controlling interests	2	–
	5	41



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

HK\$ million	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	973	895
Investment properties		1,577	1,532
Goodwill		103	103
Intangible assets		21	24
Interest in a joint venture		609	601
Interest in an associate		7	9
Classic cars held for investment		115	107
Time pieces held for investment		166	153
Deposits and other receivables		–	3
Total non-current assets		3,571	3,427
Current assets			
Inventories		180	93
Stock of properties held for sale		279	279
Stock of classic cars held for sale		89	89
Trade receivables	10	312	309
Investment in films		80	56
Prepayments, deposits and other receivables		611	543
Financial assets at fair value through profit or loss	11	293	293
Pledged time deposits		76	35
Cash and cash equivalents		198	127
Total current assets		2,118	1,824
Total assets		5,689	5,251



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

30 June 2019

HK\$ million	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	14	88	88
Reserves		2,874	2,875
		2,962	2,963
Non-controlling interest		25	23
Total equity		2,987	2,986
Non-current liabilities			
Interest-bearing bank and other borrowings		1,527	1,362
Convertible bonds	13	236	235
Deferred tax liabilities		11	26
Total non-current liabilities		1,774	1,623
Current liabilities			
Trade payables	12	118	77
Tax payable		56	56
Other payables and accruals		385	273
Interest-bearing bank and other borrowings		369	236
Total current liabilities		928	642
Total liabilities		2,702	2,265
Total equity and liabilities		5,689	5,251
Net current assets		1,190	1,182
Total assets less current liabilities		4,761	4,609



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2019*

HK\$ million	Equity component													Non-controlling interest	Total equity (Unaudited)
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Asset revaluation reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Capital redemption reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Proposed final dividend (Unaudited)	Total (Unaudited)			
At 1 January 2019	88	224	741	841	-	36	22	24	29	958	-	2,963	23	2,986	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	3	-	3	2	5	
Share repurchased	-	(4)	-	-	-	-	-	-	-	-	-	(4)	-	(4)	
As at 30 June 2019	88	220	741	841	-	36	22	24	29	961	-	2,962	25	2,987	
At 1 January 2018	88	224	741	871	2	69	22	24	29	1,230	31	3,331	19	3,350	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	41	-	41	-	41	
2017 final dividend paid	-	-	-	-	-	-	-	-	-	-	(31)	(31)	-	(31)	
2018 interim dividend paid	-	-	-	(31)	-	-	-	-	-	-	-	(31)	-	(31)	
As at 30 June 2018	88	224	741	840	2	69	22	24	29	1,271	-	3,310	19	3,329	



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(9)	41
Adjustments for:		
Finance costs	46	37
Share of losses of an associate	2	–
Share of profits of a joint venture	(8)	–
Depreciation	20	25
Amortisation of intangible assets	3	3
Fair value gain on investment properties	(46)	(108)
Fair value gain on classic cars	(8)	(12)
Fair value gain on time pieces held for investment	(2)	(7)
Reversal of impairment loss on properties held for sale to net realisable value	–	(16)
	(2)	(37)
Increase in inventories	(87)	(29)
(Increase)/decrease in trade receivables	(3)	7
Increase in prepayments, deposits and other receivables	(66)	(70)
Increase in trade payables, other payables and accruals	153	109
Cash used in operations	(5)	(20)
Interest paid	(46)	(37)
Net cash flows used in operating activities	(51)	(57)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)**For the six months ended 30 June 2019*

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(13)	(32)
Proceeds from disposal of items of property, plant and equipment	9	–
Additions to time pieces held for investment	(11)	(38)
Increase in investment in films	(24)	(9)
Increase in pledged time deposits	(41)	(24)
Net cash flows used in investing activities	(80)	(103)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	204	835
Repayment of bank loans and trust receipts loans	–	(598)
Shares repurchased	(2)	–
Dividends paid	–	(31)
Net cash flows generated from financing activities	202	206
NET INCREASE IN CASH AND CASH EQUIVALENTS	71	46
Cash and cash equivalents at beginning of the period	127	131
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	198	177
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	198	177



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”).

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the 2018 Annual Report, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 January 2019.

Amendments to HKFRS 9
HKFRS 16

Amendments to HKAS 19
Amendments to HKAS 28

HK(IFRIC)-Int 23

Annual Improvements
2015–2017 Cycle

Prepayment Features with Negative Compensation
Leases

Plan Amendment, Curtailment or Settlement

Long-term Interests in Associates and Joint Ventures

Uncertainty over Income Tax Treatments

Amendments to HKFRS 3, HKFRS 11,
HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group’s unaudited interim condensed consolidated financial statements.

The nature and impact of the new and revised HKFRS is described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the elective exemptions for leases of low value assets (elected on a lease by lease basis). The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As a lessee — Leases previously classified as operating leases *(continued)*

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

For the leasehold land and buildings previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (Decrease) HK\$ million (Unaudited)
Assets	
Increase in property, plant and equipment	130
Decrease in prepayments, deposits and other receivables	(8)
	122
Liability	
Increase in interest-bearing bank and other borrowings	122



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As a lessee — Leases previously classified as operating leases *(continued)*

Impacts on transition *(continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Increase/ (Decrease) HK\$ million (Unaudited)
Operating lease commitments as at 31 December 2018	140
Weighted average incremental borrowing rate as at 1 January 2019	3.89%
Discounted operating lease commitments as at 1 January 2019	130
Less: Prepaid rental for office premises under operating lease	(8)
Lease liabilities as at 1 January 2019	122

Summary of new accounting policies

The accounting policy for leases as disclosed in the 2018 Annual Report is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. The principal amount rate for this purpose is as follow:

Office premises — Over the lease term



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As a lessee — Leases previously classified as operating leases *(continued)*

Impacts on transition *(continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets (included within "property, plant and equipment") and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follow:

	Increase/(Decrease) Right-of-use asset office premise HK\$ million	Lease liabilities HK\$ million
As at 1 January 2019	130	130
Additions	15	15
Depreciation charge	(17)	–
Interest expense	–	2
Payment	–	(19)
Leases terminated	(34)	(34)
As at 30 June 2019	94	94



3. DISAGGREGATION OF REVENUE

An analysis of revenue is as follows:

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Revenue from contracts with customers		
Property development and trading	2	–
Ferrari dealership	320	120
Classic car trading and logistic business	12	15
Audio, lighting and stage engineering operations	95	94
Industrial Group	65	99
Other operations	32	32
	526	360
Revenue from other sources		
Rental income from investment properties	6	6
Income from investment in classic cars	8	–
	14	6
Total revenue	540	366



3. DISAGGREGATION OF REVENUE *(continued)*

Set out below is the disaggregation of the Group's revenue from contracts with customers:

For the six months ended 30 June 2019 (Unaudited)

HK\$ million	Timing of revenue recognition		
	Goods transferred at a point in time	Services transferred over time	Total
Property development and trading	2	–	2
Ferrari dealership	320	–	320
Classic car trading and logistic business	12	–	12
Audio, lighting and stage engineering operations	–	95	95
Industrial Group	65	–	65
Other operations	26	6	32
Total	425	101	526

For the six months ended 30 June 2018 (Unaudited)

HK\$ million	Timing of revenue recognition		
	Goods transferred at a point in time	Services transferred over time	Total
Property development and trading	–	–	–
Ferrari dealership	120	–	120
Classic car trading and logistic business	15	–	15
Audio, lighting and stage engineering operations	–	94	94
Industrial Group	99	–	99
Other operations	26	6	32
Total	260	100	360



4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and there are ten reportable operating segments during period, which are outlined as follows:

- (a) the property development and trading segment representing the development and trading of properties;
- (b) the property investment and holding segment which represents investment and holding of properties;
- (c) the securities business segment representing the trading in securities and holding of securities, financial assets and treasury products;
- (d) Ferrari dealership business representing sale and distribution of Ferrari cars and provision of after-sale services as official dealer of Ferrari in Hong Kong and Macau;
- (e) classic cars trading and logistic segment representing the trading and sale of classic cars and car logistic business;
- (f) investment in classic cars segment which is acquisition of classic cars for long-term investment purpose;
- (g) the film operations representing production, investment and distribution of films worldwide;
- (h) the audio, lighting and stage engineering operations representing the provision and leasing of audio and lighting equipment, services and provision of metal construction work and engineering services for production of concert, entertainment and other events;
- (i) the industrial group segment representing the manufacture of plastic components and trading of child products; and
- (j) other operations segment which is engaged in supportive business and start-up business including multimedia operations, classic car service center, investment in time pieces and artist management.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that finance costs, head office and corporate expenses are excluded from such measurement.



4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude deferred tax assets and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

For the six months period ended 30 June 2019 (Unaudited)

HK\$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio, lighting and stage engineering operations	Industrial Group	Other operations	Re- conciliations	Total
Segment revenue:												
Sales to external customers	2	6	-	320	12	8	-	95	65	32	-	540
Other revenue	-	-	-	2	6	-	5	-	-	-	-	13
Intersegment revenue	-	-	-	-	-	-	-	-	-	-	-	-
	2	6	-	322	18	8	5	95	65	32	-	553
Operating profit/(loss)	2	51	-	10	5	9	-	5	-	(31)	-	51
Finance costs												(46)
Reconciled items:												
Corporate and other unallocated expenses												(20)
Share of profits of a joint venture	8	-	-	-	-	-	-	-	-	-	-	8
Share of losses of an associate	-	-	-	-	-	-	-	-	-	(2)	-	(2)
Loss before tax												(9)
Income tax credit												14
Profit for the period												5



4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2019 (Unaudited) *(continued)*

HK\$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio, lighting and stage engineering operations	Industrial Group	Other operations	Re- conciliations	Total
Other segment information:												
Expenditure for non-current assets	-	-	-	5	2	-	-	6	-	-	-	13
Depreciation and amortisation	-	(1)	(1)	(7)	(2)	-	-	(1)	(1)	(7)	-	(20)
Other material non-cash items:												
Fair value gain on investment properties	-	46	-	-	-	-	-	-	-	-	-	46
Fair value gain on classic cars held for investment	-	-	-	-	-	8	-	-	-	-	-	8
Fair value gain on time pieces held for investment	-	-	-	-	-	-	-	-	-	2	-	2
As at 30 June 2019												
Segment assets	279	2,020	876	592	152	129	86	250	73	527	-	4,984
Interest in a joint venture	609	-	-	-	-	-	-	-	-	-	-	609
Reconciled items:												
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	96	96
Total assets	888	2,020	876	592	152	129	86	250	73	527	96	5,689
Segment liabilities	129	980	443	582	3	-	28	82	42	72	-	2,361
Reconciled items:												
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	341	341
Total liabilities	129	980	443	582	3	-	28	82	42	72	341	2,702



4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months period ended 30 June 2018 (Unaudited)

HK\$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio, lighting and stage engineering operations	Industrial Group	Other operations	Reconciliations	Total
Segment revenue:												
Sales to external customers	-	6	-	120	15	-	-	94	99	32	-	366
Other revenue	-	-	-	2	-	-	-	-	2	7	-	11
Intersegment revenue	-	1	-	-	-	-	-	4	-	5	(10)	-
	-	7	-	122	15	-	-	98	101	44	(10)	377
Operating profit/(loss)	11	98	(1)	(6)	(3)	12	(2)	6	(1)	(24)	-	90
Finance costs												(37)
Reconciled items:												
Corporate and other unallocated expenses												(12)
Share of loss of an associate												-
Profit before tax												41
Income tax credit												-
Profit for the period												41
Other segment information:												
Expenditure for non-current assets	-	-	-	23	-	-	-	6	2	1	-	32
Depreciation and amortisation	-	(4)	(1)	(2)	(1)	-	-	(6)	(1)	(10)	-	(25)
Other material non-cash items:												
Fair value gain on investment properties	-	102	-	-	-	-	-	-	-	6	-	108
Fair value gain on classic cars held for investment	-	-	-	-	-	12	-	-	-	-	-	12
As at 31 December 2018 (Audited)												
Segment assets	379	1,952	836	292	134	157	77	241	77	451	-	4,596
Interest in a joint venture	601	-	-	-	-	-	-	-	-	-	-	601
Reconciled items:												
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	54	54
Total assets	980	1,952	836	292	134	157	77	241	77	451	54	5,251
Segment liabilities	2	404	820	247	14	5	-	68	44	91	-	1,695
Reconciled items:												
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	570	570
Total liabilities	2	404	820	247	14	5	-	68	44	91	570	2,265



4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Hong Kong, Macau and Mainland China	487	292
Europe	6	17
USA and others	47	57
	540	366

The revenue information above is based on the final locations where the Group's products were sold to customers.

(b) Non-current assets

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Hong Kong, Macau and Mainland China	3,571	3,424

The non-current assets information is based on the location of the assets and excludes financial instruments.

Information about major customers

For the six months ended 30 June 2019, revenue of approximately HK\$40 million was derived from sales of the Industrial Group to a single customer and revenue of HK\$8 million was derived from provision of audio, lighting and stage engineering services to a single customer, representing 7% and 1%, respectively, of the Group's total revenue.

For the six months ended 30 June 2018, revenue of approximately HK\$48 million was derived from sales of the Industrial Group to a single customer and revenue of HK\$12 million was derived from provision of audio, lighting and stage engineering services to a single customer, representing 13% and 3%, respectively, of the Group's total revenue.



5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Cost of inventories sold	61	95
Cost of classic cars sold	8	8
Cost of Ferrari dealership business	266	102
Cost of provision and leasing of lighting and audio equipment and stage engineering services	80	82
Cost of automotive service provided	5	5
Cost of sales — other operations	20	20
Depreciation	20	25

6. TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Current — Hong Kong		
Charge for the year	(1)	—
Deferred tax credit	15	—
Net tax credit for the period	14	—

Hong Kong profits tax of HK\$1 million was provided for the six months ended 30 June 2019. No Hong Kong profits tax has been provided for the six months ended 30 June 2018 as the Group had no profits chargeable to Hong Kong profits tax during the period. During the period of six months ended 30 June 2019 and the corresponding period in 2018, the Group had no profit subject to foreign tax outside of Hong Kong and no provision had been made for overseas tax.



7. DIVIDENDS

The Board did not declare an interim dividend for 2019 (2018 interim dividend: HK\$0.035 per Share).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3	41
Interest on convertible bonds	8	8
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	11	49

	Number of shares	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	874,243,054	875,381,452
Effect of dilution — weighted average number of ordinary shares of convertible bonds	347,500,000	333,600,000
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	1,221,743,054	1,208,981,452

The calculation of diluted earnings per share amount for the six months ended 30 June 2019 is based on the profit for the period attributable to equity holders of the parent and the weighted average of number of ordinary shares adjusted to reflect the effect of deemed conversion of convertible bond at the beginning of the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2019 in respect of a dilution as the impact of the outstanding convertible bonds issued by the Company had an anti-dilutive effect on the basic earnings per share presented.



9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$13 million (six months ended 30 June 2018: HK\$32 million).

10. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

HK\$ million	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	46	15	50	16
31 to 60 days	214	68	220	71
61 to 90 days	12	4	16	5
Over 90 days	40	13	23	8
	312	100	309	100

The credit period for most business of the Group ranges from one to three months. The credit term granted to the customers of the securities business is up to 365 days.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets at fair value through profit or loss	293	293



12. TRADE PAYABLES

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

HK\$ million	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	75	64	33	43
31 to 60 days	13	11	26	34
61 to 90 days	13	11	3	4
Over 90 days	17	14	15	19
	118	100	77	100

13. CONVERTIBLE BONDS

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds from issue of the securities is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds from issue of the securities to the liability and equity components when the instruments are first recognised.

If the contractual substance of convertible bonds is a single obligation to deliver a variable number of equity instrument, the entire obligation meets the definition of financial liability and the convertible bonds are classified as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, the convertible bonds are stated at fair value, and the gains and losses arising from the change in fair values are included in the statement of profit or loss.



13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds

On 30 March 2016, pursuant to the sale and purchase agreement, the Company issued the 2024 Convertible Bonds with an aggregate principal amount of HK\$250,200,000 of which principal amount of HK\$180,000,000 and HK\$70,200,000 was issued to Capital Force and New Capital, respectively. The maturity date of the 2024 Convertible Bonds will fall on the eighth anniversary of the date of issue of the 2024 Convertible Bonds, which will fall due on 30 March 2024. The bonds are convertible at the option of the bondholders into ordinary shares at initial conversion price of HK\$0.90 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) and the bonds shall be redeemable at the option of the Company at any time on or before 30 March 2024. The 2024 Convertible Bonds are unsecured, carry interest at 5% per annum on the outstanding principal amount. Interest is payable monthly after the date of issue of the convertible bonds.

The 2024 Convertible Bonds were split into liability and equity components upon initial recognition by recognising the liability component at fair value and attributing to the equity component the residual amount. The fair value of the liability component of these convertible bonds were estimated at the issuance date using cash flows discounted at a rate based on effective interest rate of 6.57%. The residual amount is assigned as the equity component and is included in shareholders' equity. The fair value of the 2024 Convertible Bonds was determined as of the date of issue by reference to the valuations performed by an independent firm of professionally qualified valuers, Greater China Appraisal Limited.

The conversion price of the 2024 Convertible Bonds was adjusted from HK\$0.90 to HK\$0.87, from HK\$0.87 to HK\$0.84, from HK\$0.84 to HK\$0.81, from HK\$0.81 to HK\$0.78, from HK\$0.78 to HK\$0.75 and from HK\$0.75 to HK\$0.72 per conversion share on 1 June 2016, 15 September 2016, 5 June 2017, 18 September 2017, 5 June 2018 and 18 September 2018 respectively pursuant to the terms and conditions of the convertible bonds.

During the six months period ended 30 June 2019 there was no movement of the 2024 Convertible Bonds.



13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds *(continued)*

The following table sets out the shareholding structure of the Company: (i) as at 30 June 2019, and (ii) for illustrative purpose only, the structure immediately after the issue of the 347,500,000 Shares upon full conversion of the all the outstanding 2024 Convertible Bonds as at 30 June 2019 at the conversion price of HK\$0.72 per conversion share, assuming that there is no other changes to the share capital of the Company from 30 June 2019 to date of the allotment and issue of the conversion shares:

Shareholders	As at 30 June 2019		Immediately after conversion of the all the outstanding 2024 Convertible Bonds and issue of the conversion shares	
	No. of Shares	%	No. of Shares	%
Capital Force	96,868,792	11.09	346,868,792	28.42
New Capital	171,357,615	19.63	268,857,615	22.03
Capital Winner	177,798,672	20.36	177,798,672	14.56
Mr. Mak	22,919,652	2.63	22,919,652	1.88
Sub-total for Mr. Mak and his close associates	468,944,731	53.71	816,444,731	66.89
Mr. Tam Ngai Hung, Terry (an executive Director)	1,380,000	0.15	1,380,000	0.11
Public Shareholders	402,786,721	46.14	402,786,721	33.00
Total	873,111,452	100.00	1,220,611,452	100.00

The dilutive effect of the outstanding 2024 Convertible Bonds on the earnings per share of the Company is set out in note 8 to these financial statements.



13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds *(continued)*

As bondholder(s) has no right to demand prepayment of the 2024 Convertible Bonds before the maturity date and the bonds have a long maturity and therefore, the outstanding 2024 Convertible Bonds is unlikely to have any negative impact on the financial and liquidity position of the Group at present. Furthermore, there is likelihood that part or whole of the 2024 Convertible Bonds may be converted into Shares before maturity. As such, the possible financial burden arises from the potential repayment of the 2024 Convertible Bonds is not likely to be significant for the time being.

The analysis of the Company's share price at which it would be equally financially advantages for the bondholder(s) to convert or redeem the 2024 Convertible Bonds based on their implied rate of return at a range of dates in the future is as follows:

Suggested conversion date	Company's Share price	Implied rate of return of bondholder (%)
31 December 2019	HK\$0.72	5.12%
30 June 2020	HK\$0.72	5.12%

14. SHARE CAPITAL

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200	200
Issued and fully paid:		
873,111,452 (31 December 2018: 875,381,452) ordinary shares of HK\$0.10 each	88	88

During the six months ended 30 June 2019, the Company repurchased a total of 2,270,000 Shares through the Stock Exchange for an aggregate consideration of HK\$1,701,080. Those Shares repurchased were subsequently cancelled on 11 April 2019.



15. CONTINGENT LIABILITIES

As at 30 June 2019, contingent liabilities not provided for in the financial statements were as follows:

(a) Financial guarantees

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Corporate guarantees given to a bank in connection with facilities granted to the GBA Holdings Group (Note i)	53	53
Performance guarantee in respect of payment obligations of a subsidiary (Note ii)	35	35

Notes:

- (i) As at 30 June 2019, certain banking facilities granted by a bank to the GBA Holdings Group were guaranteed by the Company. These banking facilities were utilised to the extent of HK\$16 million by GBA Holdings Group as at 30 June 2019 (31 December 2018: HK\$18 million).
- (ii) As at 30 June 2019, the Group had contingent liabilities in connection with performance guarantee provided by a bank on behalf of a subsidiary of the Company in respect of the payment obligation of the subsidiary for an amount not exceeding HK\$35 million.
- (iii) In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors of the Company exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised in the financial statements.



15. CONTINGENT LIABILITIES *(continued)*

- (b) During 2017 and in or about August 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the “**Relevant Subsidiary**”) concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. In September 2018, the Court ordered that all individual legal proceedings against the Relevant Subsidiary were consolidated into one legal proceedings. Based on the existing legal documents and advice of the legal advisor of the Company, the Directors are of the opinion that there is a reasonably good chance of success in the defence of the Relevant Subsidiary. In the opinion of the Directors, no provision is considered necessary for the claims arising from the legal proceedings at the end of the reporting period.

16. PLEDGE OF ASSETS

At 30 June 2019, the Group’s interest-bearing bank borrowings were secured by:

- (i) pledge of certain of the Group’s leasehold land and buildings situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$725 million (31 December 2018: HK\$730 million);
- (ii) pledge of the Group’s investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$1,577 million (31 December 2018: HK\$1,532 million);
- (iii) pledge of certain of the Group’s stock of properties held for sale situated in Hong Kong, which had an aggregate carrying amount at end of the reporting period of approximately HK\$279 million (31 December 2018: 279 million);
- (iv) pledge of certain inventories of the Group, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$22 million (31 December 2018: HK\$22 million); and
- (v) pledge of certain time deposits of the Group with an aggregate amount of HK\$76 million (31 December 2018: HK\$35 million).



17. OPERATING LEASE ARRANGEMENTS

As lessor

The Group has rented out its investment properties under operating lease arrangements with leases negotiated for terms ranging from two to three years.

At 30 June 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within one year	29	31
In the second to fifth years, inclusive	7	10
	36	41

As lessee

The Group has leased certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to five years.

At 30 June 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK\$ million	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within one year	46	50
In the second to fifth years, inclusive	72	90
	118	140

18. COMMITMENTS

As at 30 June 2019, the Group did not have any significant commitment (31 December 2018: nil).



19. RELATED PARTY TRANSACTIONS

- (a) As at 30 June 2019, the Company was a substantial shareholder of GBA Holdings as the Company held indirectly approximately 15.48% shareholding interests of GBA Holdings. Mr. Mak is the Chairman, CEO and a controlling shareholder of the Company. During the six months ended 30 June 2019, the Group had conducted the following related party transactions with (1) the GBA Holdings Group; and (2) Mr. Mak and private companies controlled by him:

		Six months ended 30 June	
HK\$ million	Notes	2019 (Unaudited)	2018 (Unaudited)
(1) With the GBA Holdings Group:			
— Sales of components	(i)	13	22
— Management information system service fees	(ii)	3	3
— Purchase of child products	(iii)	50	72
(2) With Mr. Mak and private companies controlled by him:			
— Interest expense on the 2024 Convertible Bonds	(iv),(vi)	7	7
— Rental income on investment properties	(v),(vi)	3	3



19. RELATED PARTY TRANSACTIONS *(continued)***(a)** *(continued)*

Notes:

- (i) The components were sold by a wholly-owned subsidiary of the Company to the GBA Holdings Group, pursuant to the terms and conditions of a manufacturing agreement dated 15 November 2018 (the "Component Manufacturing Agreement") entered into between the Company and GBA Holdings. The Component Manufacturing Agreement has a term of three years from 1 January 2019 to 31 December 2021, under which the Company agreed to manufacture and supply through its subsidiaries certain plastic casings, components and any other component products to the GBA Holdings Group. The selling prices of plastic casings, components and any other component products were determined based on direct material costs plus a mark-up of no more than 250%.
- (ii) The management information system service fee was charged by GBA Holdings to the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2017 entered into between the Company and GBA Holdings. The aforesaid agreement has a term of three years from 1 January 2018 to 31 December 2020.
- (iii) This represented the transaction amount for the supply of feeding, health care, hygiene, safety, toy and other related products for infants and babies which were supplied by the GBA Holdings Group to the Group during the six months ended 30 June 2019, based on the agreement dated 15 November 2018 (the "Child Products Supply Agreement") entered into between the Company and GBA Holdings. The Child Products Supply Agreement has a term of three years from 1 January 2019 to 31 December 2021. In respect of the transactions contemplated under the Child Products Supply Agreement, the price of the child products to be supplied by the GBA Holdings Group to the Group will be the higher of the sum of the direct material costs plus a mark-up of no more than 250% of the direct material costs or the selling prices that the Company sells to independent third parties less a discount of up to 10%.



19. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

- (iv) On 27 January 2016, the Company entered into the sale and purchase agreement with Mr. Mak to acquire all the issued shares of the property holding companies from Mr. Mak and the shareholder's loans then due to Mr. Mak by the property holding companies for the share consideration of approximately HK\$250 million (the "Share Consideration") and the cash consideration of approximately HK\$29 million, respectively. The aforesaid acquisition constituted a non-exempt connected transaction for the Company under Listing Rules. The Share Consideration was satisfied by the issue of the 2024 Convertible Bonds. During the six months ended 30 June 2019, total interest of HK\$7 million was paid by the Company on the 2024 Convertible Bonds, to Capital Force and New Capital.
- (v) On 6 December 2017, two indirect wholly-owned subsidiaries of the Company entered into the tenancy agreements with Mr. Mak to lease the properties situated at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak for a rental period from 1 January 2018 to 31 December 2020 at a monthly rental (inclusive of management fee and government rent and rates) of HK\$270,000 and HK\$260,000, respectively. The rental was determined based on market rental. The rental transactions constituted non-exempt continuing connected transactions for the Company under the Listing Rules.
- (vi) The Company has complied with the relevant requirements under the Listing Rules in respect of the non-exempt connected transactions and continuing connected transactions set out in Notes (iv) and (v), respectively.

(b) Compensation of key management personnel of the Group:

HK\$ million	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Short term employee benefits	12	12

- (c) The Group has provided corporate guarantee of total amount of HK\$53 million as at 30 June 2019 to a bank in relation to certain banking facilities granted by the bank to the GBA Holdings Group.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

21. APPROVAL OF THE INTERIM REPORT

This interim report was approved by the Board on 29 August 2019.



disclosure of interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the Shares, underlying Shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO; or (iii) as notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

Interests and short positions in the Shares and the underlying Shares as at 30 June 2019

Long positions:

Name of Directors	Number of Shares/underlying Shares			Total Interests	Approximate % of the total number of issued Shares*
	Personal Interests	Corporate Interests	Equity Derivatives		
			2024 Convertible Bonds		
Executive Directors					
Mak Shiu Tong, Clement	22,919,652	446,025,079 (Note 1)	347,500,000 (Note 2)	816,444,731	93.50%
Tam Ngai Hung, Terry	1,380,000	–	–	1,380,000	0.15%

* The percentage was calculated based on 873,111,452 Shares in issue as at 30 June 2019.

Notes:

- The interests disclosed represented an aggregate of 446,025,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 30 June 2019. Capital Force, New Capital and Capital Winner are private corporations wholly-owned by Mr. Mak beneficially. Mr. Mak is deemed to be interested in the aforesaid Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force, New Capital and Capital Winner.
- The interests disclosed represented 347,500,000 underlying Shares, as at 30 June 2019, at the existing conversion price of HK\$0.72 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) in respect of the 2024 Convertible Bonds issued by the Company to Capital Force and New Capital. Mr. Mak is deemed to be interested in the aforesaid underlying Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force and New Capital.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

(continued)

Interests and short positions in the Shares and the underlying Shares as at 30 June 2019

(continued)

Save as disclosed above, as at 30 June 2019, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, at no time during the period for the six months ended 30 June 2019 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations.



SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, so far as was known to, or could be ascertained after reasonable enquiries by, the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and the underlying Shares as at 30 June 2019

Long positions:

Name of the substantial Shareholders	Number of Shares/underlying Shares and nature of interests			Approximate % of the total number of issued Shares*
	Personal Interests/ beneficial owner	Equity Derivatives 2024 Convertible Bonds	Total Interests	
Capital Force International Limited (Note)	96,868,792	250,000,000	346,868,792	39.72%
New Capital Industrial Limited (Note)	171,357,615	97,500,000	268,857,615	30.79%
Capital Winner Investments Limited (Note)	177,798,672	–	177,798,672	20.36%

* The percentage was calculated based on 873,111,452 Shares in issue as at 30 June 2019.

Note: Capital Force, New Capital and Capital Winner are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially, whose interests in the Shares and the underlying Shares set out in the above table have also been disclosed in the sub-section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above.



SUBSTANTIAL SHAREHOLDERS' INTERESTS *(continued)***Interests and short positions in the Shares and the underlying Shares as at 30 June 2019**
(continued)

Save for Mr. Mak who is a director and who is the beneficial owner of all the issued share capital of the substantial Shareholders disclosed above, no other Director is a director or employee of the above substantial Shareholders who has interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as was known to the Directors, as at 30 June 2019, there was no other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.



share option scheme

SHARE OPTION SCHEME

At the AGM held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme which has become effective since 30 May 2011, i.e. the date on which the Listing Committee granted approval for the listing of, and permission to deal in, any Shares on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption which is 27 May 2011.

As at 30 June 2019, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the period for the six months ended 30 June 2019.



other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Save for the repurchase of Shares as mentioned below, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the six months ended 30 June 2019.

During the six months ended 30 June 2019, the Company repurchased a total of 2,270,000 Shares through the Stock Exchange for an aggregate consideration of HK\$1,701,080. Those Shares repurchased were subsequently cancelled on 11 April 2019. Details of the repurchase of Shares are as follows:

Date	No. of Shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate consideration (HK\$)
1 April 2019	1,820,000	0.78	0.73	1,363,280
2 April 2019	380,000	0.77	0.74	285,700
3 April 2019	70,000	0.75	0.73	52,100
Total:	2,270,000			1,701,080

CORPORATE GOVERNANCE

The Company has always recognised the importance of the Shareholders' transparency and accountability. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders.

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the period from 1 January 2019 to 30 June 2019, except for the minor deviations from the following Code Provisions of the CG Code:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 for the six months ended 30 June 2019.



CORPORATE GOVERNANCE *(continued)***Code Provision A.2.1** *(continued)*

Mr. Mak currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience, strong leadership and a firmly established reputation in the diversified business that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board is composed of three executive Directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. Moreover, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive business experience.

Code Provision A.4.2

Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company, any Director appointed to fill a casual vacancy shall hold office only until the next following AGM and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

Pursuant to the bye-laws of the Company, the Chairman and the managing Director (who is currently assumed by Mr. Mak) shall not be subject to retirement by rotation nor be taken into account in determining the number of Directors to retire in each AGM. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2018 annual report of the Company issued in April 2019.



MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 June 2019.

REVIEW OF INTERIM REPORT

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 has been reviewed by the Audit Committee.

DISCLOSURE ON CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Tam Ngai Hung, Terry resigned as the company secretary of the Company and an authorised representative of the Company pursuant to Rule 3.05 of the Listing Rules on 6 May 2019 and Ms. Sze Suet Ling was appointed as the company secretary and an authorised representative of the Company on 6 May 2019, to replace Mr. Tam.



corporate information

COMPANY NAME

CCT Fortis Holdings Limited

BOARD AND COMMITTEES OF THE BOARD**Executive Directors**

Mak Shiu Tong, Clement (*Chairman and CEO*)

Tam Ngai Hung, Terry (*Deputy Chairman*)

Cheng Yuk Ching, Flora

Independent Non-executive Directors

Tam King Ching, Kenny

Chen Li

Chow Siu Ngor

Audit Committee

Tam King Ching, Kenny (*chairman*)

Chen Li

Chow Siu Ngor

Remuneration Committee

Chow Siu Ngor (*chairman*)

Tam King Ching, Kenny

Chen Li

Mak Shiu Tong, Clement

Tam Ngai Hung, Terry

Nomination Committee

Mak Shiu Tong, Clement (*chairman*)

Tam Ngai Hung, Terry

Tam King Ching, Kenny

Chen Li

Chow Siu Ngor

COMPANY SECRETARY

Sze Suet Ling

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

Hang Seng Bank Limited

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE OF
BUSINESS IN HONG KONG**

18/F., CCT Telecom Building

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Shatin, New Territories

Hong Kong

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Tricor Tengis Limited

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FAX NUMBER

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COMPANY WEBSITE

www.cct-fortis.com

STOCK CODE

138



glossary of terms

GENERAL TERMS

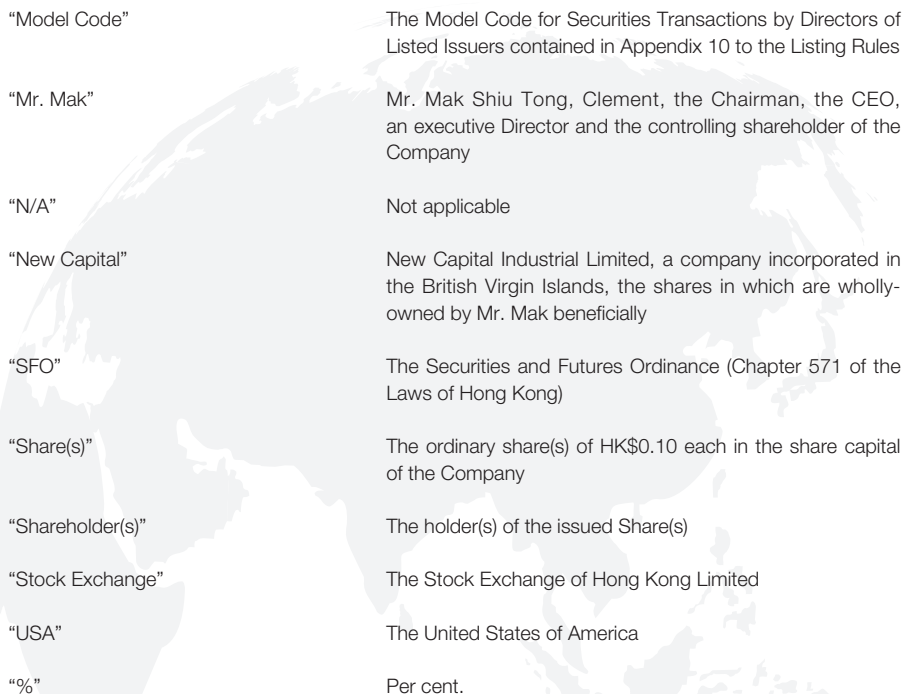
"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"2024 Convertible Bonds"	The 5% coupon convertible bonds with the aggregate principal amount of HK\$250,200,000 issued by the Company on 30 March 2016 to Capital Force and New Capital
"AGM"	The annual general meeting of the Company
"Audit Committee"	The audit committee of the Company
"Blackbird" or "Blackbird Group"	The Blackbird group established by the Company, which is engaged in the Ferrari dealership, investment and trading of classic cars, car logistics operations, investment in and trading of time pieces and other business ventures
"Blackbird Concessionaires"	Blackbird Concessionaires Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company under the Blackbird Group
"Board"	The board of Directors
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak beneficially
"Capital Winner"	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak beneficially
"CEO"	The chief executive officer of the Company
"CG Code"	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	The chairman of the Company





"Child Products"	Feeding, health care, hygiene, safety, toy and other related products for infants and babies, which are the child products currently traded by the Group
"Child Products Trading Business"	The business of trading and sale of the Child Products currently engaged by the Group
"China" or "PRC"	The People's Republic of China
"Company"	CCT Fortis Holdings Limited (stock code: 138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	The director(s) of the Company
"GBA Holdings"	Greater Bay Area Investments Group Holdings Limited (formerly known as "CCT Land Holdings Limited") (stock code: 261), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"GBA Holdings Group"	GBA Holdings and its subsidiaries, from time to time
"Group"	The Company and its subsidiaries, from time to time
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Industrial Group"	An operating group of the Company, which is engaged in the manufacturing and sale of plastic components and the Child Products Trading Business
"INED(s)"	The independent non-executive Director(s)
"Listing Committee"	The listing committee of the Stock Exchange for considering applications for listing and the granting of listing
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mainland China"	The mainland of the PRC





"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Mr. Mak"	Mr. Mak Shiu Tong, Clement, the Chairman, the CEO, an executive Director and the controlling shareholder of the Company
"N/A"	Not applicable
"New Capital"	New Capital Industrial Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak beneficially
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	The ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	The holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	The United States of America
"%"	Per cent.

FINANCIAL TERMS

"current ratio"	Current assets divided by current liabilities
"earnings per share"	Profit attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
"gearing ratio"	Total borrowings (representing bank and other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders' fund plus total borrowings)
"operating profit/(loss)"	Operating profit/(loss) before interest, tax and unallocated income and expenses
"1H18"	First half of 2018
"1H19"	First half of 2019



