



安寧控股有限公司

ENM Holdings Limited Stock Code : 00128



INTERIM REPORT
2017

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CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The results reported today represent a considerable improvement for the Group compared with those of the same period in 2016, notwithstanding that the first half of 2017 was still challenging. One reason was that the last half year was the last 6-monthly period within which we had to take to account losses from the now closed China operations. However, there were also other positive developments, reported upon in more detail below. The current economic and global political environment continues to affect us in terms of volatility in major exchange rates, together with anaemic consumer demand in Hong Kong, impacting the high end luxury retail market and our margins.

On balance, the diversified businesses of the Group delivered an improved performance for the period. The sharp reduction in loss for the period ended 30 June 2017 was also attributable to net realised and unrealised gains contributed by our investments in financial instruments, fair value gain on revaluation of the Group's investment properties and deficits write-back on revaluation of the Group's resort and recreational club properties.

FINANCIAL REVIEW

Net loss attributable to shareholders for the period ended 30 June 2017 amounted to HK\$750,000 as compared with a net loss of HK\$26,202,000 for the last corresponding period. The net loss mainly included the combination of a loss (excluding our share of the associate's result) from the fashion retail business of HK\$13,533,000 (2016: HK\$19,378,000), a loss from recreational club operations of HK\$4,585,000 (2016: HK\$4,538,000), netted off against a segment profit of HK\$13,209,000 (2016: HK\$1,000,000) contributed by the investments division. Such total segment loss was further offset by the fair value gain of HK\$3,200,000 (2016: loss of HK\$1,100,000) on revaluation of the Group's investment properties and deficit write-back of HK\$5,274,000 (2016: deficit of HK\$548,000) on revaluation the Group's resort and recreational club properties. Loss per share attributable to owners of the Company was HK\$0.05 cent (2016: Loss per share: HK\$1.59 cents).

The significant decrease in loss by 97% was mainly attributable to the following factors:

- (1) a drop in losses of HK\$5,845,000 from the fashion retail business (excluding the share of an associate's result) mainly due to the closure of China operations and under-performing shops in Hong Kong in the last period together with a small increase in overall same store sales and additional inventory sales, partly offset by lower overall margins; and
- (2) before general and administrative expenses, net realised and unrealised gains of HK\$21,352,000 contributed by the investments in financial instruments for the six months ended 30 June 2017 as compared with HK\$9,575,000 for the same period in 2016. These net realised and unrealised gains for the six months ended 30 June 2017 mainly comprised the gain on disposal of certain shares in Genovate Biotechnology Company, Limited ("Genovate") which amounted to HK\$7,677,000, an unrealized fair value gain HK\$5,132,000 from the Group's shares in China Motor Bus Company, Limited ("China Motor") and also a net gain HK\$4,826,000 contributed by available-for-sale debt investments.

The Group's consolidated turnover for the period ended 30 June 2017 declined by 11% to HK\$77,732,000 which was mainly attributable to the drop in sales of fashion retail products as a result of fewer points of sale. The Group's gross profit decreased by 13% to HK\$46,203,000 (2016: HK\$53,396,000), which was mainly due to the closure of under-performing shops in Hong Kong, which resulted in decrease in turnover and gross profit from the fashion retail business. The Group's gross profit margin for the period ended 30 June 2017 was 59% as compared to 61% in 2016.

The Group's other income mainly comprised (i) rental income from the Group's investment properties situated in Hong Kong and (ii) management fees received from an associate.

The Group's selling and distribution expenses dropped by 21% to HK\$32,376,000 (2016: HK\$41,104,000) and depreciation and amortization expenses increased by 50% to HK\$3,828,000 (2016: HK\$2,548,000). The decreases in selling and distribution expenses were primarily attributable to the closure of non-performing shops in both Hong Kong and China, and the increase in depreciation and amortization was mainly due to the amortization of the cost of the move and fit-out of an existing shop which took place in the second half of 2016.

The Group's administrative expenses decreased by 9% to HK\$36,047,000 (2016: HK\$39,717,000). The decrease was mainly attributable to the closure of the fashion retail business in China and the containment of labour costs for that business in Hong Kong.

The Group's "Other operating gains, net" mainly comprised realised and unrealised fair value gains on investment in financial instruments. "Other operating gains, net" for the period ended 30 June 2017 amounted to HK\$16,510,000 as compared to HK\$3,332,000 for the same period in 2016. The increase in "Other operating gains, net" was mainly due to fair value gains (net) of HK\$4,596,000 on investment in financial instruments for the period ended 30 June 2017 as compared to fair value loss (net) of HK\$16,170,000 for the same period in 2016. Such increase was partly offset by the decrease in gain on disposal (net) of investment in financial instruments by HK\$6,834,000 for the period ended 30 June 2017.

The loss result of an associate in the first half of 2017 which represented the share of result of the joint venture business with Brunello Cucinelli S.p.A. amounted to a loss of HK\$952,000 (2016: Profit: HK\$1,005,000) which was mainly due to an additional stock provision made according to Brunello Cucinelli S.p.A. group stock provision policy.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

The first half of 2017 saw a decline in total turnover of 11% to HK\$62,197,000 (2016: HK\$69,729,000) compared with the same period last year, whilst overall Gross Profit percentage decreased by 3%. Operating loss (excluding our share of the associate's result) for the six months ended 30 June 2017 amounted to HK\$13,487,000 (2016: HK\$16,297,000). Although there was a small increase in same store sales, the lesser number of points of sale substantially reduced overall turnover. The principle reasons for the decline in margins were to do with reduced supplier discounting, partly as a consequence of some of the closures referred to above, together with the more aggressive selling at discount of inventory, including un- or minimally-provisioned inventory.

The second half of 2017 will show increased efforts towards focusing and improving buying policy and amounts, together with the improving overall merchandise mix for "Swank" stores, plus identifying opportunities for the establishment of certain carefully selected mono-brand stores. Clearance of aged-stock will also continue and hopefully accelerate including through existing outlet stores as well as at any other suitable and available venues.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Swank China

In the equivalent reporting period from last year, the Group closed down the last shop in Beijing Jinbao Place. Sales for the six months ended 30 June 2017 were recorded at HK\$360,000 (2016: HK\$1,367,000). Owing to the closure of the China operations, the operating loss for period ended 30 June 2017 reduced by HK\$1,590,000.

Cesare di Pino

In the equivalent reporting period from last year, the last Beijing shop was closed down. With the closure of that shop, the operating losses for period ended 30 June 2017 reduced by HK\$1,445,000. Cesare di Pino products continue to be sold in the Swank Hong Kong's stores.

Brunello Cucinelli

The first half of 2017 saw a slight increase in total turnover by 1% versus the same period last year, with an overall increase in Gross Profit percentage of 2.3% before stock provisioning. During the month of May, a new store was opened at Lee Garden One in Causeway Bay, which offsets the closure of the Ocean Centre store in March 2017.

Future developments for the second half of 2017 include the relocation of existing IFC store in September to a larger store at the same mall level with better façade visibility as a new "flagship store".

Resort and Recreational Club Operations

Hilltop Country Club ("Hilltop" or "the Club")

Situated in Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational and outdoor activities, conferences, dining and lodging facilities to its members.

With the gradual aging of the facilities, the Club's attractiveness has substantially diminished. Additionally, competition for dining, events and banqueting from hotels and clubs in the market is intensive, causing a drop in membership and in banquet sales. For the six months ended 30 June 2017, Hilltop's total sales decreased by 6% to HK\$6,972,000 from HK\$7,410,000 for the same period in 2016. Labour cost was still the major component of the operational cost, and is expected to continue giving significant financial pressure to the Club, especially, with the new minimum wage increase, effective as of 1 May 2017. Overall, Hilltop's operating loss for the period was HK\$4,585,000 which remains at about the same level as last year (2016: Loss HK\$4,538,000).

In the second half of 2017, the Club management will continue to focus on the banquet and conference business for corporate members, develop more new products and rationalise the product offering for individual members so as to increase revenue and reduce the impact of cost increases.

Investment in Financial Instruments

The Group's investment in financial instruments include financial assets at fair value through profit or loss ("FVTPL") which are held for trading or designated as such upon initial recognition, available-for-sale debt investments ("AFS debt investments") and available-for-sale equity investments ("AFS equity investments"). The purpose of investment in financial instruments is for earnings distribution, yield enhancement and capital appreciation.

As of 30 June 2017, the total carrying value of the Group's investment portfolio in financial instruments was HK\$348,177,000 (31 December 2016: HK\$321,878,000), representing approximately 33% (31 December 2016: 31%) of the carrying value of the Group's total assets. Before general and administrative expenses, the investment in financial instruments totally contributed a gain of HK\$21,352,000 (2016: HK\$9,575,000) to the Group for the six months ended 30 June 2017.

Financial assets at fair value through profit and loss ("FVTPL") and Available-for-sales debt investments ("AFS debt investments")

Compared to the investment environment in 2016, the global financial market was less volatile in the first half of 2017 and global key stock markets maintained a relatively steady upward trend. Besides the stable return contributed from fixed income products investment in which the Group deliberately kept a higher proportion in the total investment portfolio to limit the investment risk and maintain stable income, for equity investments we also had a satisfactory return in securities trading in the first six months of 2017.

Both FVTPL and AFS debt investments are mainly invested in marketable securities. The Group's existing FVTPL investment mainly includes listed equities and equity/bond funds. As of 30 June 2017, the total carrying value of the Group's investment portfolio in FVTPL was HK\$115,407,000 (31 December 2016: HK\$110,178,000), representing approximately 11% (31 December 2016: 11%) of the carrying value of the Group's total assets. Also, the Group's investments in PuraPharm Corporation Limited and China Motor Bus together represent approximately 56% (31 December 2016: 59%) of the total carrying value in this category. As the net P/L effect of these two major equities has recorded a HK\$3,301,000 net gain, the FVTPL investments recorded a net gain of HK\$8,710,000 (2016: net losses of HK\$13,943,000) for the six months ended 30 June 2017.

AFS debt investments are listed USD-denominated corporate bonds. For the six months ended 30 June 2017, AFS debt investments contributed a net gain of HK\$4,826,000 (2016: net gain HK\$4,037,000), and its carrying value as of 30 June 2017 was HK\$188,427,000 (31 December 2016: HK\$168,644,000).

With a prudent approach, there is no single security, bond or fund held in either FVTPL or AFS debt investments that exceeded 5% of the total assets of the Group as at 30 June 2017.

Since both the US and the Hong Kong stock markets have appreciated for almost seven consecutive months in 2017, there is speculation whether a substantial correction of the stock markets will be experienced in the second half of 2017. In addition, the credit spread of corporate bond to US treasury notes is also narrowing under the raising interest rate environment. With the above uncertainties in financial markets, the Group will continue its prudent approach to managing the risks and returns of the investment portfolio by increased diversification of securities type, geography, nature of industries and issuers.

Available-for-sales equity investments ("AFS equity investments")

AFS equity investments mainly comprises a shareholding interest in Genovate, which was mainly invested in 2002 for pre-IPO investment; and a private equity fund namely ASEAN China Investment Fund III L.P. ("ACIF III" or the "Fund"). As at 30 June 2017, the total carrying value of AFS equity investments was HK\$44,343,000 (31 December 2016: HK\$43,056,000), representing approximately 4% (31 December 2016: 4%) of the Group's total assets. The AFS equity investments recorded a net gain of HK\$7,816,000 (2016: net gain of HK\$19,480,000) for the six months ended 30 June 2017.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Genovate

Genovate is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, and drug marketing and distribution in Taiwan and the region. Genovate is listed on the Taipei Exchange in Taiwan (TPEX, stock code: 4130).

The Group has gradually disposed of its Genovate shareholdings to realize the long-term investment return. In the first 6 months ended 30 June 2017, a total of 1,070,000 shares (or 1.06% of Genovate total outstanding shares) was sold with a realized profit of HK\$7,677,000 (2016: HK\$19,103,000).

ACIF III

The Group has made an investment commitment of USD4 million in ACIF III for 1.532% shareholding. ACIF III is managed out of Singapore by the UOB Venture Management Private Limited ("UOBVM") and invests in growth oriented companies in East and South East Asia and China. As of 30 June 2017, the Group has invested HK\$21,427,000 in the Fund.

INVESTMENT PORTFOLIO

The Group's investment portfolio as at 30 June 2017 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal Businesses	Number of shares/units held as at 30 June 2017 '000	Percentage of shareholding as at 30 June 2017 %	Recognised in Condensed Consolidated Statement of Profit or Loss For the six months ended 30 June 2017					Fair value as at 30 June 2017 HKD'000	Percentage to the Group's total assets as at 30 June 2017 %
					Fair value gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000	Dividend income HKD'000	Total HKD'000		
Financial assets at fair value through profit or loss											
<i>Held-for-trading</i>											
26	China Motor Bus Company, Limited	Property development and investment	292	0.64%	5,132	—	—	321	5,453	31,143	3.0%
CSFMIAU	Credit Suisse Nova (Lux) Fixed Maturity Bond Fund 2019	Bond fund	1	N/A	30	—	—	116	146	7,825	0.7%
LU0258954014	Invesco Zodiac Funds	Loan fund	6	N/A	27	—	—	—	27	7,807	0.7%
	Other listed and unlisted securities, bond and equity fund (Note 1)	Mainly Consumer consumption, Chinese Equity ETF, Bond and Equity Fund			1,896	3,075	164	101	5,236	34,609	3.3%
					<u>7,085</u>	<u>3,075</u>	<u>164</u>	<u>538</u>	<u>10,862</u>	<u>81,384</u>	<u>7.7%</u>
<i>Designated as such upon initial recognition</i>											
1498	PuraPharm Corporation Limited	Chinese medicine company	9,221	3.72%	(2,489)	147	—	190	(2,152)	34,023	3.2%

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal Businesses	Number of shares/units held as at 30 June 2017 '000	Percentage of shareholding as at 30 June 2017 %	Recognised in Condensed Consolidated Statement of Profit or Loss For the six months ended 30 June 2017					Percentage to the Group's total assets	
					Fair value gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000	Dividend income HKD'000	Total HKD'000	Fair value as at 30 June 2017 HKD'000	as at 30 June 2017 %
Available-for-sale equity investments											
N/A	ASEAN China Investment Fund III L.P.	Private equity fund	2,726 (Note 2)	1.532%	–	–	–	–	–	25,907	2.5%
4130	Genovate Biotechnology Company, Limited	Pharmaceutical company	1,493	1.48%	–	7,677	–	108	7,785	14,558	1.4%
KYG4923R1092	Invesco US Senior Loans 2021, L.P.	USD senior loan fund	5	N/A	–	–	–	31	31	3,878	0.4%
					–	7,677	–	139	7,816	44,343	4.3%
Available-for-sale debt investments - notes receivables											
<i>Listed in Hong Kong</i>											
4309	RKI Overseas Finance 2016 (B) Limited	USD bond with fixed tenor	1,200 (Note 3)	N/A	–	–	220	–	220	9,115	0.9%
5938	Beijing Enterprises Water Capital Management Limited	USD bond with fixed tenor	1,000 (Note 3)	N/A	–	–	178	–	178	7,901	0.8%
5438	Chinalco Capital Holdings Limited	USD bond with fixed tenor	1,000 (Note 3)	N/A	–	–	59	–	59	7,834	0.7%
4560	Dynamic Talent Limited	USD bond with fixed tenor	1,000 (Note 3)	N/A	–	–	177	–	177	7,791	0.7%
5323	Guangzhou Silk Road Investment Limited	USD bond with fixed tenor	1,000 (Note 3)	N/A	–	–	150	–	150	7,772	0.7%
<i>Listed Overseas</i>											
XS1328315723	China Energy Reserve and Chemicals Group Overseas Company Limited	USD bond with fixed tenor	1,236 (Note 3)	N/A	–	–	291	–	291	9,721	0.9%
XS1485578535	Country Garden Holdings Company Limited	USD bond with fixed tenor	880 (Note 3)	N/A	–	–	169	–	169	6,582	0.6%
	Others listed in HK and overseas (Note 4)	USD bond with fixed tenor	16,768 (Note 3)	N/A	–	542	3,040	–	3,582	131,711	12.6%
					–	542	4,284	–	4,826	188,427	17.9%
Total					4,596	11,441	4,448	867	21,352	348,177	33.1%

CHIEF EXECUTIVE OFFICER'S STATEMENT

Notes:

- 1) Others represent the Group's 17 investments in listed and unlisted securities, bond and equity fund. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2017.
- 2) It represents the Partners' Capital paid-up amount in Thousand US Dollars which the Group paid as at 30 June 2017.
- 3) It represents the principal amount of USD bonds with fixed tenor in Thousand US Dollars which the Group held as at 30 June 2017.
- 4) Others represent the Group's 35 investments in USD bonds with fixed tenor which are listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited and other overseas stock exchanges. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2017.

The Group considers that the performance of the investment in financial instruments is generally affected by uncertain and volatile markets with increasing interest rate. In order to limit the investment risk and achieve stable income, we will maintain our cautious investment strategy of keeping a higher percentage of our portfolio in bonds investment, but looking for those shorter duration and other debt instruments such as those that incorporate floating rate investments.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2017.

LIQUIDITY AND FINANCIAL POSITION

At 30 June 2017, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$486,592,000 (31 December 2016: HK\$511,268,000). At 30 June 2017, total borrowings amounted to HK\$10,339,000 (31 December 2016: HK\$8,920,000) with HK\$10,339,000 (31 December 2016: HK\$8,920,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 1% at the interim period date (31 December 2016: 0.9%). The current ratio at 30 June 2017 was 17.2 times (31 December 2016: 18.4 times).

At 30 June 2017, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the unaudited condensed consolidated financial statements. All borrowings of the Group are on a floating rate basis. All club debentures of the Hilltop Club are interest free.

The Group's imported purchases are mainly denominated in Euro, Yen and United States dollars. The Group has undertaken small-scale hedging to protect its position and will, from time to time, review its foreign exchange position and market conditions to determine the degree of hedging (if any) that is required.

PLEDGE OF ASSETS

At 30 June 2017, pledges of the Group's fixed deposits of HK\$12,334,000 (31 December 2016: HK\$12,334,000), listed equity investments of HK\$2,609,000 and sales proceeds receivable of listed equity investments of HK\$1,003,000 were given to banks to secure trade banking facilities to the extent of HK\$30,000,000 (31 December 2016: HK\$30,000,000), a bank loan of HK\$3,406,000 (31 December 2016: Nil) and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL PERIOD

There have been no important events affecting the Group that have occurred since the end of the financial period.

CONTINGENT LIABILITIES

The Group's significant contingent liabilities as at 30 June 2017 are set out in Note 20 to the condensed consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 169 staff, including Executive Directors compared with 188 as at 30 June 2016. Total employees' costs (including Directors' emoluments) were approximately HK\$29,470,000 (2016: HK\$32,593,000) for the six months ended 30 June 2017. Employees' remuneration is determined with reference to individual duties, responsibilities and performance. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonuses and internal/external training support. The Group has also introduced and adopted a Code of Conduct to be adhered to by all Group employees (including Executive Directors).

David Charles PARKER

Executive Director and Chief Executive Officer

Hong Kong, 29 August 2017

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF ENM HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 34 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

29 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	5	77,732	87,507
Cost of sales		(31,529)	(34,111)
Gross profit		46,203	53,396
Other income		1,322	1,265
Selling and distribution costs		(32,376)	(41,104)
Administrative expenses		(36,047)	(39,717)
Depreciation and amortisation		(3,828)	(2,548)
Other operating gains, net		16,510	3,332
Loss from operations		(8,216)	(25,376)
Fair value gains/(losses) on investment properties		3,200	(1,100)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		5,274	(548)
Finance costs	6	(175)	(249)
Share of profit/(loss) of an associate		(952)	1,005
Loss before tax		(869)	(26,268)
Income tax expense	7	—	—
Loss for the period	8	(869)	(26,268)
Attributable to:			
Owners of the Company		(750)	(26,202)
Non-controlling interests		(119)	(66)
		(869)	(26,268)
		HK\$ (unaudited)	HK\$ (unaudited)
Loss per share			
– basic	9(a)	(0.05 cents)	(1.59 cents)
– diluted	9(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the period	(869)	(26,268)
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	271	591
Fair value changes of available-for-sale equity investments	4,728	(30,169)
Fair value changes of available-for-sale debt investments	1,566	2,710
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	(7,726)	(21,060)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	(1)	(64)
Other comprehensive loss for the period, net of tax	(1,162)	(47,992)
Total comprehensive loss for the period	(2,031)	(74,260)
Attributable to:		
Owners of the Company	(1,927)	(74,180)
Non-controlling interests	(104)	(80)
	(2,031)	(74,260)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	85,781	83,330
Investment properties		40,000	36,800
Intangible assets		1,084	1,126
Interest in an associate		17,761	19,116
Available-for-sale equity investments	13	44,343	43,056
Available-for-sale debt investments - notes receivables	14	161,488	148,338
Total non-current assets		350,457	331,766
Current assets			
Inventories		32,818	41,991
Trade receivables	15	857	969
Prepayments, deposits and other receivables		26,517	23,330
Financial assets at fair value through profit or loss	12	115,407	110,178
Available-for-sale debt investments - notes receivables	14	26,939	20,306
Pledged bank deposits		12,334	12,334
Time deposits		443,268	459,942
Cash and bank balances		43,324	51,326
Total current assets		701,464	720,376
Current liabilities			
Trade and other payables	16	30,519	30,128
Interest-bearing bank borrowings		9,675	7,769
Debentures	17	664	1,151
Total current liabilities		40,858	39,048
Net current assets		660,606	681,328
NET ASSETS		1,011,063	1,013,094
Capital and reserves			
Issued capital	18	1,206,706	1,206,706
Accumulated losses		(1,022,311)	(1,021,561)
Other reserves		827,177	828,354
Equity attributable to owners of the Company		1,011,572	1,013,499
Non-controlling interests		(509)	(405)
TOTAL EQUITY		1,011,063	1,013,094

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

(Unaudited)

	Attributable to owners of the Company							
	Issued capital HK\$'000	Special reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016	1,206,706	808,822	85,070	2,477	(1,017,626)	1,085,449	(208)	1,085,241
Total comprehensive loss and changes in equity for the period	—	—	(48,583)	605	(26,202)	(74,180)	(80)	(74,260)
At 30 June 2016	<u>1,206,706</u>	<u>808,822</u>	<u>36,487</u>	<u>3,082</u>	<u>(1,043,828)</u>	<u>1,011,269</u>	<u>(288)</u>	<u>1,010,981</u>
At 1 January 2017	1,206,706	808,822	17,660	1,872	(1,021,561)	1,013,499	(405)	1,013,094
Total comprehensive loss and changes in equity for the period	—	—	(1,433)	256	(750)	(1,927)	(104)	(2,031)
At 30 June 2017	<u>1,206,706</u>	<u>808,822</u>	<u>16,227</u>	<u>2,128</u>	<u>(1,022,311)</u>	<u>1,011,572</u>	<u>(509)</u>	<u>1,011,063</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash used in operating activities	(19,109)	(2,542)
Net cash generated from/(used in) investing activities	27,772	(92,087)
Net cash generated from/(used in) financing activities	408	(1,547)
Net increase/(decrease) in cash and cash equivalents	9,071	(96,176)
Cash and cash equivalents at beginning of period	375,755	355,355
Effect of foreign exchange rate changes, net	552	(96)
Cash and cash equivalents at end of period	385,378	259,083
Analysis of balances of cash and cash equivalents		
Non-pledged time deposits	443,268	343,545
Less: Non-pledged time deposits with original maturity of over three months when acquired	(101,214)	(157,585)
Non-pledged time deposits with original maturity of less than three months when acquired	342,054	185,960
Cash and bank balances	43,324	73,123
	385,378	259,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

These condensed consolidated financial statements should be read in conjunction with the 2016 annual consolidated financial statements (“2016 Annual Report”). The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at the end of reporting period:

Description	Fair value measurements as at 30 June 2017 using:			Total HK\$'000 (unaudited)
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	77,865	–	–	77,865
– Listed debt and fund investments	–	11,874	–	11,874
– Unlisted debt and fund investments	–	25,668	–	25,668
	<u>77,865</u>	<u>37,542</u>	<u>–</u>	<u>115,407</u>
Available-for-sale financial assets:				
– Listed equity investment	14,558	–	–	14,558
– Listed debt investments	–	188,427	–	188,427
– Unlisted fund investments	–	3,878	25,907	29,785
	<u>14,558</u>	<u>192,305</u>	<u>25,907</u>	<u>232,770</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	40,000	–	40,000
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	78,000	78,000
Total recurring fair value measurements	<u>92,423</u>	<u>269,847</u>	<u>103,907</u>	<u>466,177</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy at the end of reporting period (cont'd):

Description	Fair value measurements as at 31 December 2016 using:			Total HK\$'000 <i>(audited)</i>
	Level 1 HK\$'000 <i>(audited)</i>	Level 2 HK\$'000 <i>(audited)</i>	Level 3 HK\$'000 <i>(audited)</i>	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	80,117	–	–	80,117
– Listed debt and fund investments	–	11,836	–	11,836
– Unlisted debt and fund investments	–	18,225	–	18,225
	<u>80,117</u>	<u>30,061</u>	<u>–</u>	<u>110,178</u>
Available-for-sale financial assets:				
– Listed equity investment	24,767	–	–	24,767
– Listed debt investments	–	168,644	–	168,644
– Unlisted fund investment	–	–	18,289	18,289
	<u>24,767</u>	<u>168,644</u>	<u>18,289</u>	<u>211,700</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	36,800	–	36,800
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	73,900	73,900
Total recurring fair value measurements	<u>104,884</u>	<u>235,505</u>	<u>92,189</u>	<u>432,578</u>

3. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Reconciliation of financial assets measured at fair value based on level 3:

Description	Property, plant and equipment	Available-for- sale financial assets – Equity investment	2017 Total HK\$'000 (<i>unaudited</i>)
	Resort and recreational club properties HK\$'000 (<i>unaudited</i>)	Unlisted fund investment HK\$'000 (<i>unaudited</i>)	
At 1 January 2017	73,900	18,289	92,189
Additions	64	3,138	3,202
Total fair value gain recognised in profit or loss*	5,274	—	5,274
in other comprehensive income	—	4,480	4,480
Depreciation charged to profit or loss	(1,238)	—	(1,238)
At 30 June 2017	<u>78,000</u>	<u>25,907</u>	<u>103,907</u>
* Include gains or losses for assets held at end of reporting period	<u>5,274</u>	<u>—</u>	<u>5,274</u>

Description	2016 Property, plant and equipment
	Resort and recreational club properties HK\$'000 (<i>unaudited</i>)
At 1 January 2016	75,900
Total fair value loss recognised in profit or loss *	(548)
Depreciation charged to profit or loss	(1,452)
At 30 June 2016	<u>73,900</u>
* Include gains or losses for assets held at end of reporting period	<u>(548)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. FAIR VALUE MEASUREMENTS (CONT'D)

(b) Reconciliation of financial assets measured at fair value based on level 3 (cont'd):

The total fair value gains or losses recognised in profit or loss including those for assets held at end of reporting period arising from property, plant and equipment, are presented in "Deficits write-back/(deficits) on revaluation of resort and recreational club properties" in the condensed consolidated statement of profit or loss.

The gains or losses recognised in other comprehensive loss are presented in the corresponding line item in the condensed consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017 and 31 December 2016:

The Group's senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. In respect of level 3 fair value measurements, the Group normally engages external valuation experts with relevant recognised qualifications and experience to perform the valuations. The senior management reviews the fair value measurements twice a year, which is in line with the Group's reporting dates.

The valuation techniques used and the key inputs to the level 2 and level 3 fair value measurements are set out below:

Description	Valuation technique and key inputs
<i>Level 2:</i>	
Listed and unlisted debt and fund investments	Quoted price provided by counterparty financial institutions
Industrial investment properties situated in Hong Kong	Direct comparison method: – Price per square feet
<i>Level 3:</i>	
Resort and recreational club properties situated in Hong Kong	Open market and existing use basis with the use of discounted cash flow: – Long-term operating margin – Long-term revenue growth – Discount rate
Unlisted fund investment	Net asset value provided by the administrator of the fund

3. FAIR VALUE MEASUREMENTS (CONT'D)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2017 and 31 December 2016 (cont'd):

The information about the significant unobservable inputs used in level 3 fair value measurement is set out below.

Description	Unobservable inputs	Range		Effect on fair value for increase of inputs
		30 June 2017	31 December 2016	
Resort and recreational club properties situated in Hong Kong	Discount rate	8.0%	8.4%	Decrease
Unlisted fund investment	Net asset value	N/A	N/A	N/A

There were no changes in the valuation techniques used in fair value measurement at 30 June 2017 and 31 December 2016.

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Segment	Activity
Wholesale and retail of fashion wear and accessories	The trading of fashion wear and accessories
Resort and recreational club operations	The provision of resort and recreational facilities including lodging and catering services
Investments	The holding and trading of investments for short term and long term investment returns

The Group's reportable segments are strategic business units that offer different products and services. Strategic business units that have similar economic characteristics are combined in a single reportable segment. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Share of profit/(loss) of an associate;
- Fair value gains/(losses) on investment properties, net;
- Deficits write-back/(deficits) on revaluation of resort and recreational properties;
- Finance costs; and
- Income tax expense.

Segment assets do not include interest in an associate. Segment liabilities do not include interest-bearing bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (CONT'D)

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK\$'000 (<i>unaudited</i>)	HK\$'000 (<i>unaudited</i>)	HK\$'000 (<i>unaudited</i>)	HK\$'000 (<i>unaudited</i>)
6 months ended 30 June 2017:				
Revenue from external customers	62,557	6,972	8,203	77,732
Segment profit/(loss)	(13,533)	(4,585)	13,209	(4,909)
As at 30 June 2017:				
Segment assets	67,235	80,403	886,522	1,034,160
Segment liabilities	(16,691)	(2,730)	(11,762)	(31,183)
Interest in an associate	17,761	—	—	17,761
6 months ended 30 June 2016:				
Revenue from external customers	71,286	7,410	8,811	87,507
Segment profit/(loss)	(19,378)	(4,538)	1,000	(22,916)
As at 31 December 2016:				
Segment assets, audited	76,227	76,803	879,996	1,033,026
Segment liabilities, audited	(20,086)	(4,328)	(6,865)	(31,279)
Interest in an associate, audited	19,116	—	—	19,116

	Six months ended 30 June	
	2017 HK\$'000 (<i>unaudited</i>)	2016 HK\$'000 (<i>unaudited</i>)
Reconciliations of reportable segment profit or loss:		
Total profit or loss of reportable segments	(4,909)	(22,916)
Unallocated corporate administrative expenses	(3,307)	(2,460)
Share of profit/(loss) of an associate	(952)	1,005
Fair value gains/(losses) on investment properties	3,200	(1,100)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties	5,274	(548)
Finance costs	(175)	(249)
Consolidated loss for the period	(869)	(26,268)

5. REVENUE

The principal activities of the Group are wholesale and retail of fashion wear and accessories, resort and recreational club operations, and investments. An analysis of revenue of the Group by operating activities is as follows:

	Six months ended 30 June	
	2017 HK\$'000 (<i>unaudited</i>)	2016 HK\$'000 (<i>unaudited</i>)
Wholesale and retail of fashion wear and accessories	62,557	71,286
Resort and recreational club operations	6,972	7,410
Dividend income from listed equity and fund investments	728	2,174
Dividend income from an unlisted fund investment	—	84
Dividend income from available-for-sale equity investments	139	377
Interest income	7,336	6,176
	<u>77,732</u>	<u>87,507</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (<i>unaudited</i>)	2016 HK\$'000 (<i>unaudited</i>)
Interest on bank loans	172	244
Accretion of interest on debentures	3	5
	<u>175</u>	<u>249</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and overseas income tax has been made for the six months periods ended 30 June 2017 and 2016 since the Group has no assessable profit in Hong Kong and other countries in which the Group operates or has sufficient tax losses brought forward to set off against the assessable profits for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cost of inventories sold [^]	31,514	34,068
Depreciation	3,785	2,506
Amortisation of intangible assets	43	42
Charge for inventories allowances	7,364	4,793
Losses/(gains) from financial assets at fair value through profit or loss, net [*] :		
Held-for-trading		
Interest income	(164)	(641)
Fair value losses/(gains), net	(7,085)	4,786
Losses/(gains) on disposal, net	(3,075)	671
	(10,324)	4,816
Designated as such upon initial recognition		
Fair value loss	2,489	11,384
Gain on disposal	(147)	—
	2,342	11,384
Fair value losses/(gains) on investment properties	(3,200)	1,100
Losses/(gains) on disposal of available-for-sales debt investments, net [*]	(542)	157
Gains on disposal of available-for-sales equity investments [*]	(7,677)	(19,103)
Losses on disposal of property, plant and equipment, net [*]	—	11
Foreign exchange losses/(gains), net [*]	(274)	447
Reversal of provisions [*]	(35)	(1,044)
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	(5,274)	548

[^] Cost of inventories sold included charge for inventories allowances of HK\$7,364,000 (30 June 2016: HK\$4,793,000).

^{*} These amounts are included in "Other operating gains, net".

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$750,000 (30 June 2016: HK\$26,202,000) and the weighted average number of ordinary shares of 1,650,658,676 (30 June 2016: 1,650,658,676) in issue during the period.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the six months periods ended 30 June 2017 and 2016.

10. DIVIDENDS

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2017 and 2016.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately HK\$962,000 (30 June 2016: HK\$870,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Listed investments, at fair value (note a and note b):		
Hong Kong	74,452	83,114
Outside Hong Kong	15,287	8,839
Market value of listed investments	89,739	91,953
Unlisted investments, at fair value:		
Others (note c)	25,668	18,225
	115,407	110,178

As at 30 June 2017, the carrying amount of listed investments at fair value amounting to HK\$2,609,000 (31 December 2016: Nil) was pledged as security for the Group's bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

The carrying amounts of the above financial assets are classified as follows:

	30 June 2017 HK\$'000 (<i>unaudited</i>)	31 December 2016 HK\$'000 (<i>audited</i>)
Held for trading (<i>note a and note c</i>)	81,384	71,144
Designated as at fair value through profit or loss on initial recognition (<i>note b</i>)	34,023	39,034
	115,407	110,178

Notes:

- (a) The listed investments as at 30 June 2017 amounted to HK\$55,716,000 (31 December 2016: HK\$52,919,000) were classified as held for trading. The fair values of the listed investments are based on quoted market prices. The listed investments offer the Group the opportunity for return through dividend income, coupon interest and fair value gains.
- (b) The listed investment as at 30 June 2017 amounted to HK\$34,023,000 (31 December 2016: HK\$39,034,000) represented investment in PuraPharm Corporation Limited which was designated as financial assets at fair value through profit or loss on initial recognition. The fair values of the listed investment are based on quoted market prices.
- (c) Unlisted investments as at 30 June 2017 amounted to HK\$25,668,000 (31 December 2016: HK\$18,225,000) included debt and fund investments traded over-the-counter and were classified as held for trading. The fair values of the unlisted investments are based on the price quoted by the issuer/bank. The directors believe that the estimated fair value quoted by the issuer/bank is reasonable, and that it is the most appropriate value at the end of the reporting period.

13. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Note	30 June 2017 HK\$'000 (<i>unaudited</i>)	31 December 2016 HK\$'000 (<i>audited</i>)
Equity investments			
Listed outside Hong Kong, at fair value	(a)	14,558	24,767
Unlisted fund investments, at fair value	(b)	29,785	18,289
		44,343	43,056

13. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (CONT'D)

(a) Genovate Biotechnology Company, Limited

The listed equity investment as at 30 June 2017 and 31 December 2016 represents an investment in Genovate Biotechnology Company, Limited (“Genovate”), which is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, drug marketing and distribution in Taiwan and the region.

The fair value of the investment in Genovate as at 30 June 2017 and 31 December 2016 was based on quoted market price. The carrying amount of the investment in Genovate is denominated in New Taiwan dollar.

(b) Unlisted fund investments

(i) *ASEAN China Investment Fund III L.P.*

As at 30 June 2017, carrying amount of unlisted fund investment amounted to HK\$25,907,000 (31 December 2016: HK\$18,289,000) represents an investment in a fund, ASEAN China Investment Fund III L.P. (“ACIF III”), which is not quoted in an active market. The fair value of the investment in ACIF III is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US\$4,000,000 (equivalent to approximately HK\$31,120,000) to ACIF III and the unfunded commitment as at 30 June 2017 is amounted to US\$1,274,000 (equivalent to HK\$9,909,000) (31 December 2016: US\$1,677,000 (equivalent to HK\$13,048,000)). Contributions will be made when capital call is issued by the general partner of the fund.

The carrying amount of the investment in ACIF III is denominated in US dollar.

(ii) *Invesco US Senior Loans 2021, L.P.*

As at 30 June 2017, carrying amount of unlisted fund investment amounted to HK\$3,878,000 (31 December 2016: Nil) represents an investment in a fund, Invesco US Senior Loans 2021, L.P. (“Invesco”). The fair value of the investment in Invesco is stated with reference to quoted price provided by counterparty financial institutions. The directors believe that the estimated fair value quoted by the counterparty financial institutions is reasonable, and that it is the most appropriate value at the end of the reporting period.

The carrying amount of the investment in Invesco is denominated in US dollar.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTE RECEIVABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Listed senior notes*, at fair value:		
Market value of listed senior notes		
– Current assets	26,939	20,306
– Non-current assets	161,488	148,338
	188,427	168,644

* Listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited and other overseas stock exchanges.

At 30 June 2017, the Group held listed senior notes with an aggregate principal amount of US\$24,084,000 (equivalent to HK\$187,374,000) (31 December 2016: US\$21,769,000 (equivalent to HK\$169,363,000)), which were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited. The fair value of the listed senior notes is based on quoted market prices.

The senior notes have maturity dates ranging from 1 August 2017 to 21 April 2077 (31 December 2016: 9 February 2017 to 27 July 2026). Interest income from the listed senior notes is recognised based on effective interest rate ranging from 3.28% to 8.45% (31 December 2016: 2.76% to 8.7%).

15. TRADE RECEIVABLES

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

An ageing analysis of the trade receivables, based on the invoice date and net of impairment, is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 1 month	842	833
2 to 3 months	14	133
Over 3 months	1	3
	857	969

16. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 30 June 2017 are trade and bills payables of HK\$4,796,000 (31 December 2016: HK\$5,915,000).

An ageing analysis of the trade and bills payables, based on the invoice date, is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 1 month	3,968	5,368
2 to 3 months	638	431
Over 3 months	190	116
	<u>4,796</u>	<u>5,915</u>

17. DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") operated by a subsidiary of the Company, Hill Top Country Club Limited, subject to the rules and by-laws of the Club so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from payment of monthly subscription.

At the end of the reporting period, the Group's debentures carried at amortised cost were redeemable within one year.

18. ISSUED CAPITAL

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Issued and fully paid: 1,650,658,676 (31 December 2016: 1,650,658,676) ordinary shares	<u>1,206,706</u>	<u>1,206,706</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Note	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)	2,444	2,417
Management fee received/receivable from an associate		595	555
Loan interest received/receivable from an associate		261	262
Secondment fees charged by a related company		229	—
		<u>2,444</u>	<u>2,417</u>

Note:

(i) The rental expenses, building management fees and air-conditioning charges paid to related companies controlled by substantial shareholders of the Company were charged in accordance with the terms of the relevant tenancy agreements.

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short term employee benefits	6,307	7,069
Pension scheme contributions	54	47
Total compensation paid to key management personnel	<u>6,361</u>	<u>7,116</u>

20. CONTINGENT LIABILITIES

At 30 June 2017, the Group had the following significant contingent liabilities:

On 17 September 2013, the Group successfully appealed against the building orders (“Orders”) previously imposed by the Hong Kong Building Authority (“the Building Authority”), which involve the remedial/maintenance responsibility with respect to certain slope features in the vicinity of the Group’s resort and recreational club properties arising from the legal interpretation of the terms and conditions of a grant of land by the government to the Group in 1976 (the “New Grant”). By the decision made by the Appeal Tribunal (Buildings) (the “Appeal Tribunal Decision”), the remedial/maintenance obligation of the Group was only limited to certain parts of the slope features which had been the subject of the Orders.

On 9 January 2014, High Court granted leave to the Building Authority for a Judicial Review against the Appeal Tribunal Decision. Based on the judgment from the Judicial Review on 27 October 2016 (the “Judicial Review Judgment”), the judge quashed the Appeal Tribunal Decision and remitted the matter back to the Appeal Tribunal (Buildings) for reconsideration in accordance with the High Court’s interpretation of certain special conditions of the New Grant.

On 24 November 2016, the Group appealed the Judicial Review Judgment in that the judge erred in quashing the Appeal Tribunal Decision.

The Appeal Hearing was heard on 21 July 2017 and the judgment from the Court of Appeal was handed down on 11 August 2017 (“Appeal Judgment”). Pursuant to the Appeal Judgment, the Court of Appeal allowed the Group’s appeal in relation to the interpretation of one of the special conditions of the New Grant and has set aside that part of the Judicial Review Judgment and made consequential orders. With respect to the obligation under another special condition to the New Grant, the Court of Appeal dismissed the Group’s appeal meaning that the Judicial Review Judgment on that special condition should stand, and the matter shall be remitted to the Appeal Tribunal (Buildings) for reconsideration in terms of the Judicial Review Judgment.

The management, after taking legal advice, considers that it is premature to assess the probability of a favorable or unfavorable outcome of a further decision from the Appeal Tribunal (Buildings) on the reduced scope of the matter referred back as a result of the Appeal Judgment, and the outcome of relevant maintenance responsibility is uncertain. Except for a provision of HK\$2,100,000 which has been made for the estimated cost of remedial/maintenance obligation for certain parts of the subject slope features with reference to the Appeal Tribunal Decision in 2013, no other provision has been made for the costs of remedial/maintenance works arising from the proceedings.

21. CAPITAL COMMITMENTS

The Group’s capital commitments at the end of the reporting period are as follows:

	30 June 2017 HK\$’000 (unaudited)	31 December 2016 HK\$’000 (audited)
Contracted, but not provided for:		
Capital contribution in respect of available-for-sales equity investment in an unlisted fund (note 13(b)(i))	9,909	13,048

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. However, the Group has not early adopted these new or amended standards in preparing the condensed consolidated financial statements.

The Group is continuing to assess the implications of the adoption of these standards. Based on preliminary assessment, the Group has provided details below about the standards issued but not yet effective and applied by the Group.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2018.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

22. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

HKFRS 9 Financial Instruments (cont'd)

The Group's financial assets that are currently classified as "available-for-sale" include certain listed and unlisted equity investments which the Group may classify as either fair value through profit or loss or irrevocably elect to designate as fair value through other comprehensive income (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as fair value through other comprehensive income or classify them as fair value through profit or loss. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit or loss for the year and earnings or loss per share.

Certain financial assets that are currently classified as loans and receivables and measured at amortised cost under HKAS 39. Based on the preliminary assessment, the Group expects that its financial assets currently classified as loans and receivables measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

The Group does not expect that there will be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations. HKFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2018.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

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

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 and unable to estimate the impact on the timing and amounts of revenue recognised in the respective reporting periods until a more detailed analysis is completed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONT'D)

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2019.

The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office properties and retail shops leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for its office properties and retail shops amounted to HK\$44,086,000 as at 30 June 2017 (31 December 2016: HK\$40,538,000). The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

23. APPROVAL OF FINANCIAL STATEMENTS

The interim report were approved and authorised for issue by the Board of Directors on 29 August 2017.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiry of all Directors, all Directors complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2017, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, persons who had interests or short positions in the shares or underlying shares of the Company 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 were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares held		Percentage of the Company's issued shares
Diamond Leaf Limited	Beneficial owner	162,216,503		9.83%
Solution Bridge Limited	Beneficial owner	408,757,642		24.76%
Ms. KUNG, Nina (deceased)	Interest of controlled corporations	570,974,145	Note (i)	34.59%
Mr. CHAN, Wai Tong Christopher	Trustee	730,974,145	Notes (ii) & (iii)	44.28%
Mr. JONG, Yat Kit	Trustee	730,974,145	Notes (ii) & (iii)	44.28%
Mr. WONG, Tak Wai	Trustee	730,974,145	Notes (ii) & (iii)	44.28%

Notes:

- (i) The interest disclosed under Ms. KUNG, Nina (deceased) represents her deemed interest in the shares of the Company by virtue of her interests in Diamond Leaf Limited and Solution Bridge Limited (as per the late Ms. KUNG, Nina's last disclosure of interests notice dated 4 April 2006).
- (ii) Both Diamond Leaf Limited and Solution Bridge Limited are controlled corporations of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai, as joint and several administrators of the Estate of Kung, Nina. Thus, each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai is deemed to be interested in the same block of shares.
- (iii) Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai is a trustee of the Estate of Kung, Nina also known as Nina Kung and Nina T H Wang and Nina Teh Huei Wang.

OTHER INFORMATION

Save as disclosed above, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2017 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

CHANGES IN THE BOARD OF DIRECTORS AND ITS BOARD COMMITTEES

Subsequent to the date of the Company's 2016 Annual Report, the changes in the Board of Directors and its Board committees are set out below:

- | | |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9 June 2017 | Dr. Jen CHEN, an Independent Non-executive Director, was appointed as a member of the Investment Committee. |
| 9 June 2017 | Mr. Kin Wing CHEUNG, an Independent Non-executive Director, was appointed as a member of the Remuneration Committee. |
| 9 June 2017 | Mr. Kiu Sang Baldwin LEE, an Independent Non-executive Director, was appointed as a member of the Investment Committee and a member of the Nomination Committee. |
| 9 June 2017 | Mr. Chi Keung WONG retired as an Independent Non-executive Director of the Company at the annual general meeting of the Company held on 9 June 2017 and accordingly ceased to be a member of the Audit Committee, a member of the Investment Committee, a member of the Nomination Committee and a member of the Remuneration Committee. |
| 29 August 2017 | Mr. Ted Tak Tai LEE was appointed as an Independent Non-executive Director of the Company, a member of the Audit Committee and a member of the Remuneration Committee. |
| 29 August 2017 | Ms. Sarah Young O'DONNELL was appointed as a Non-executive Director of the Company, a member of the Audit Committee and a member of the Corporate Governance Committee. |
| 29 August 2017 | Dr. Jen CHEN, an Independent Non-executive Director, resigned as a member of the Corporate Governance Committee and a member of the Remuneration Committee. |
| 29 August 2017 | Mr. Derek Wai Choi LEUNG, a Non-executive Director, resigned as a member of the Remuneration Committee. |

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information since the date of the Company's 2016 Annual Report (or, where applicable, subsequent announcement relating to appointment of Director) are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- (1) Owing to an annual revision and with effect from 1 April 2017, the monthly salary of Mr. Wing Tung YEUNG, an Executive Director, has been increased to HK\$192,910.
- (2) On 5 July 2017, Dr. Jen CHEN, an Independent Non-executive Director, resigned as the general manager of Genovate Biotechnology Company, Limited ("Genovate"), a company whose shares are listed on the Taipei Exchange in Taiwan. On the same day, he was appointed as the chief strategy officer of Genovate.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2017 are unaudited, but have been reviewed by the Company's external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose unmodified review report is set out on page 10 of this interim report. The condensed consolidated financial statements for the six months ended 30 June 2017 have also been reviewed by the Company's Audit Committee.

BOARD OF DIRECTORS

As at the date of this report, the Executive Directors are Mr. David Charles PARKER (Chief Executive Officer) and Mr. Wing Tung YEUNG, the Non-executive Directors are Mr. Derek Wai Choi LEUNG (Non-executive Chairman) and Ms. Sarah Young O'DONNELL, and the Independent Non-executive Directors are Dr. Jen CHEN, Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE and Mr. Ted Tak Tai LEE.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

David Charles PARKER (*Chief Executive Officer*)
Wing Tung YEUNG

NON-EXECUTIVE DIRECTORS

Derek Wai Choi LEUNG (*Non-executive Chairman*)
Sarah Young O'DONNELL

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jen CHEN
Kin Wing CHEUNG
Kiu Sang Baldwin LEE
Ted Tak Tai LEE

COMPANY SECRETARY

Pui Man CHENG

AUDITOR

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