



2019

INTERIM REPORT



安寧控股有限公司
ENM Holdings Limited

Stock Code : 00128



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CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group recorded a profit for the first half of 2019 as compared to a loss attributable to shareholders of the Company for the same period of 2018. Such turnaround in the Group's profitability is mainly attributable to net realised and unrealised gains of our portfolio of investments, contributed to by a significant rebound in the global securities markets during the period and by a carefully structured asset allocation and manager selection. The developments for the period ended 30 June 2019 in the retail fashion and resort and recreational club businesses were also positive compared to the first half of 2018.

FINANCIAL REVIEW

The profit attributable to shareholders for the period ended 30 June 2019 amounted to HK\$45,726,000 as compared with a net loss of HK\$18,153,000 for the last corresponding period. The net profit mainly included the combination of a profit from the retail fashion business of HK\$253,000 (2018: loss of HK\$910,000), a loss from recreational club operations of HK\$6,439,000 (2018: loss of HK\$6,890,000), and a segment profit of HK\$54,350,000 (2018: a segment loss of HK\$13,840,000), including bank interest income of HK\$633,000, rental income of HK\$570,000 and related overhead cost deduction by the investments division. Profit from operations (after unallocated corporate administrative expenses) amounted to HK\$46,192,000 (2018: loss from operations of HK\$26,590,000). The Group's profit for the period was HK\$45,695,000 (2018: loss of HK\$18,189,000), negatively impacted overall by a combination of the fair value gain of HK\$300,000 (2018: HK\$2,100,000) on revaluation of the Group's investment property and the deficit of HK\$470,000 (2018: deficit write-back of HK\$5,335,000) on revaluation of the Group's resort and recreational club properties. Earnings per share attributable to owners of the Company were HK\$2.77 cents (2018: Loss per share: HK\$1.10 cents).

This major turnaround to profit of HK\$45,695,000 for the period was mainly attributable to the following factors:

- (1) before general and administrative expenses, net realised and unrealised gains of HK\$63,629,000 (including interest and dividend income of HK\$7,702,000, net gains on disposal of HK\$3,605,000 and net unrealised fair value gains of HK\$52,322,000) attributable to the gains incurred within the investment portfolio and other equities investments for the period ended 30 June 2019 as compared to net realised and unrealised losses of HK\$7,977,000 (including interest and dividend income of HK\$5,018,000, net losses on disposal of HK\$2,190,000 and net unrealised fair value losses of HK\$10,805,000) for the corresponding period in 2018. Since most of the asset prices of our marketable fund investments, the private equity fund and a listed equity investment in China Motor Bus Company, Limited have appreciated during the period, the Group's return from investment in financial instruments has substantially improved and contributed a segment profit of HK\$54,350,000 to the Group;
- (2) despite the weak consumer market and a 3% decline in same store sales, a breakeven operating profit of HK\$253,000 from the retail fashion business, as compared with operating loss of HK\$910,000 for the corresponding period of last year, was achieved due to continuous clearance of aged-stock, cost control and a slightly better gross profit margin;
- (3) a drop in losses of HK\$451,000 from recreational club operations was mainly attributable to continuous improvement of revenue after the completion of renovation for both the western restaurant and the banquet rooms in the third quarter of 2018;
- (4) a decrease in fair value gain of HK\$1,800,000 from the revaluation of the Group's investment properties;
- (5) a decrease in fair value of the Group's resort and recreational club properties, resulting in a deficit of HK\$470,000, as compared with a deficit write-back of HK\$5,335,000 on revaluation of the Group's resort and recreational club properties for the last corresponding period; and
- (6) in the last corresponding period in 2018, the Group recorded one-off income of HK\$1,073,000 from the reclassification of exchange fluctuation reserve to profit or loss upon the liquidation of subsidiaries which had been engaged in the retail fashion business in China in prior years.

The Group's revenue is derived primarily from the retail fashion business and recreational club operations conducted in Hong Kong and the income received and receivable from investments.

	2019	2018	Change
	HK\$'000	HK\$'000	
Wholesale and retail of fashion wear and accessories	50,473	57,545	(12%)
Resort and recreational club operations	7,662	4,532	69%
Dividend income	6,838	703	873%
Interest income	1,497	8,984	(83%)
Consolidated revenue	66,470	71,764	(7%)

The Group's consolidated revenue for the period ended 30 June 2019 declined by 7% to HK\$66,470,000 (2018: HK\$71,764,000) which was mainly attributable to the overall drop in sales of retail fashion products as a result of fewer points of sale following the closure at the end of February 2018 of an under-performing shop, and the weak consumer market.

As reported in the 2018 Annual Report, the Group started to execute its new investment strategy in August 2018. While dividend income received from our investments in external debt-related investments funds increased, interest income derived from our investments in USD corporate bond and fixed deposits decreased in the first half of 2019.

The Group's gross profit dropped to HK\$44,531,000 (2018: HK\$46,974,000), reflecting a 5% decrease. The Group's gross profit margin of 67% for the period ended 30 June 2019 was about 2% higher than 2018, driven by an increase in sales and gross profit contributed by the resort and recreational club operations.

The Group's other income mainly comprised rental income from the Group's investment property situated in Hong Kong.

The Group's selling and distribution expenses dropped by 18% to HK\$18,120,000 (2018: HK\$22,012,000), primarily attributable to the closure of the under-performing shop in Hong Kong at the end of February 2018.

The Group's administrative expenses decreased by 8% to HK\$33,289,000 (2018: HK\$36,268,000), mainly as a result of the decrease in legal costs associated with the long legal process reported in note 19 to the condensed consolidated financial statements and fees for the consultants who are working with us on the rezoning application for the Hilltop Club site in Tsuen Wan.

Depreciation for property, plant and equipment and amortization expenses increased by 10% to HK\$3,602,000 (2018: HK\$3,270,000), mainly due to the amortization of the cost for renovation of the western restaurant and the banquet rooms at the Hilltop Club which was completed in the third quarter of 2018.

The Group's "other operating gains/(losses), net" mainly comprised net realised and unrealised fair value gains of HK\$55,927,000 from investment in financial instruments (before interest and dividend income, included in "Revenue") by the investments division for the year ended 30 June 2019 as compared to net realised and unrealised fair value losses of HK\$12,995,000 on investment in financial instruments by the investments division for the corresponding period in 2018.

The increase in finance cost resulted from the impact of adoption of HKFRS 16. The Group recorded finance cost on lease liabilities of HK\$213,000 for the period ended 30 June 2019 (2018: Nil).

CHIEF EXECUTIVE OFFICER'S STATEMENT

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

The weak retail market affected most industry participants in the first half of 2019, and we were no exception. Overall same store sales were down by 3% and our overall sales declined further compared with the first half 2018 as a result of the closure of our Pacific Place store at the end of February 2018. On the other hand, the savings in occupancy and other costs created by the closure, together with substantial savings in overhead and general costs as a result of painful restructuring, and successful and substantial reductions in inventory as a result of both our outlet store and bazaar sales, meant that the Swank Hong Kong contributed a small profit for the first time in a number of years. The political turmoil at both a macro and local level looks likely to lead to further declines in sales, certainly in July and August, and we are concerned for the later months as well. This makes it difficult to predict results for the second half with any confidence. On the other hand, following the renegotiation and re-signing of our successful franchise agreement with French fashion brand Paule Ka on considerably better terms, we have had the confidence to develop a second Paule Ka store in Harbour City, Tsim Sha Tsui which opened in the fourth week of August 2019. We believe that this will lead, in time, to an overall increase in turnover of that franchise and the Swank Shop generally.

Resort and Recreational Club Operations

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

Opened in 1980 at the foothills of Tai Mo Shan in the Lo Wai District of 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, sporting and other outdoor activities, conferences, dining and lodging facilities to its members and their guests.

Our members and their guests took substantial advantage of the completion in 2018 of the renovations for both the "western" Restaurant and the banquet rooms leading to revenue from wedding events and conferences and seminars increasing by HK\$828,000 (up 300.9%) and HK\$1,196,000 (up 125.2%) respectively for the first half of 2019. Total gross revenues for the first half of 2019 recorded HK\$7,662,000 (2018: HK\$4,532,000), an increase of HK\$3,130,000 (up 69%). Gross Profit recorded HK\$6,621,000 for the first half of 2019 (2018: HK\$3,789,000), an increase of HK\$2,832,000 (up 75%). As a result, operation loss for the period ended 30 June 2019 was reduced to HK\$6,439,000 compared with HK\$6,890,000 in the last corresponding period. Due to the increase of the events & weddings, we have had to spend more on casual labor to support our shortage of permanent staff in the caterings & the rooms departments. This has also produced more consumption on electricity, gas, and an increase in related general expenses. As reported elsewhere, the amortization of the renovation also detracted somewhat from the improved operation loss.

The new Club Management was established in the first quarter of 2019. The Board of Directors agreed to open up the bookings lead-time until the end of 2020, which has helped the Club to service its members and better utilise its facilities. We continued to follow up the old supportive customers for the conferences & seminars to secure our base, at the same time as developing more new members and their associated businesses in order to expand our revenue base.

Already, members have booked 7 weddings for 2020 with substantial potential revenues. Based on its pipeline of bookings for the second half of 2019 the club management has a high degree of confidence on the business of the Club for the second half of the year. However, the current economic environment in Hong Kong is resulting in a more cautious approach to spending by our members, both corporate and individual, so the precise outcome is difficult to predict.

On 19 January 2018, the Company submitted a plan amendment application (the “Rezoning Application”) under Section 12A of the Town Planning Ordinance (Chapter 131, Laws of Hong Kong) to the Town Planning Board to rezone Lot Nos. 360, 360 Ext. and Ext. to 360 & Ext. thereto in D.D. 454, Lo Wai, Tsuen Wan, New Territories, Hong Kong, where Hilltop is situated, from “Other Specified Uses” annotated “Sports and Recreation Club” to “Residential (Group B) 6”. The Rezoning Application is currently in process. We have recently been notified of a tentative date of 20 September 2019* for a meeting of the Metro Planning Committee, which is the relevant Planning Committee of the Town Planning Board, to consider the rezoning application. We will make a separate announcement once any outcome is known.

Investment in Financial Instruments

The Group’s investment in financial instruments mainly includes 5 categories; (A) A Marketable Funds Investment Portfolio including unitized open-end fixed income, equity and money market funds; (B) Discretionary Investment portfolio managed by two Investment Banks but still under the control of the Group; (C) Direct listed Securities Investment; (D) Directly held USD-denominated corporate bonds; and (E) Private equity funds and a senior loan fund with a fixed term. As of 30 June 2019, the total carrying value of the Group’s investment portfolio in financial instruments was HK\$720,077,000 (31 December 2018: HK\$681,085,000), representing approximately 72% (31 December 2018: 71%) of the carrying value of the Group’s total assets.

In 2018, the investment market, including currencies, equities and fixed income investments was extremely volatile caused by factors such as increases during the year in US interest rates, the strengthening of the US dollar against most major currencies, the potential adverse impact of the US-China trade tension on the global economy, the uncertainty of the Brexit issue, the devaluation of the RMB and the PRC government’s then existing deleveraging policy. Consequently, most investments in financial instruments recorded negative returns during that year.

Fortunately, the experience in the first half of 2019 was quite different. Although there was still volatility in the market, meaning that there were still periods of downward movement in the valuation of elements of our diverse portfolio, nevertheless the overall result was substantially up as can be seen by the figures reported herein. The main contributing factors, apart from the careful asset allocation approved by the Board and the selection of investment managers approved by our Investment Committee, was the change in the market situation contributed by the United States Federal Reserve decision to pause if not reverse any rate increases (leading to increases in the capital value of bonds, and of shares as a result of more confidence in the market) and the decision of the central Government of the PRC to better position the mainland economy for resilience during the current trade war by reversing their deleveraging policy and providing stimulus to their economy. This resulted in a further increase in the capital value of most mainland bonds (mainly as managed by our appointed bond managers) due to less concern as to refinancing risk and as to the greater resilience of the borrowers, and overall increases in the prices of listed equities in the mainland as a result of the realization that the impact of the so-called trade war would be likely to be more limited than had been thought during the previous year. US and other global stocks also recorded substantial gains during the period under review. Further our directly held listed stock, China Motor Bus Company, Limited recorded considerable gains as a result of a substantial profit obtained from the sale of its property in North Point jointly held with Swire Properties and the promise of a substantial special dividend to reward investors for the profit. The actual income from the now-announced special dividend will be received and reported in the second half, however the fair market value of the equity increased as at balance date in anticipation. We were also able to take some opportunities in increase in turnover of the instrument to reduce to a small degree our exposure to our other directly held equity, PuraPharm at rates close to the fair value rate recorded as at 31 December 2018.

Under this backdrop, the Group’s investment in financial instruments recorded a net profit of HK\$63,629,000 (2018: a net loss of HK\$7,977,000) to the Group for the six months ended 30 June 2019 before general and administrative expenses. The major portion, 94% of the fair value profit was attributed to unrealized mark-to-market gains from investments.

CHIEF EXECUTIVE OFFICER'S STATEMENT

A. Marketable Funds Investment Portfolio – including unitized equity, fixed income and money market fund investments

The marketable and investment portfolio includes four investment strategies, which are a money market portfolio, an investment grade & high yield bond funds portfolio, an enhanced yield fund portfolio and an equity-based fund portfolio. All investments are marketable securities which are traded over-the-counter. The total carrying value of the Group's investment in the marketable funds investment portfolio was HK\$497,766,000 as of 30 June 2019 (31 December 2018: HK\$512,478,000), representing approximately 49.4% of carrying value of the Group's total assets and the asset allocation in the portfolio comprised of 3.7% money market funds, 50.8% fixed income funds, 33.1% enhanced income funds and 12.4% equity funds. The marketable funds investment portfolio recorded a net profit of HK\$44,361,000 (or 8.6%) (2018: net loss of HK\$1,036,000) for the six months ended 30 June 2019. The profit was mainly attributable to unrealized market-to-market gains from the fund investments. The decline in the total carrying value of the marketable funds investment portfolio was mainly due to the disposal at a profit of our investment in the H2O Allegro Fund just before the interim period date.

Money Market Portfolio

The Group held a Money Market Fund, which is the Morgan Stanley USD Liquidity Fund, in this strategy. As at 30 June 2019, the Fair Value of the Group's investment in this strategy was HK\$18,165,000 (31 December 2018: HK\$20,105,000), representing approximately 3.7% of the carrying value of the marketable funds investment portfolio and 1.8% of the carrying value of the Group's total assets. The investment objective of the Morgan Stanley USD Liquidity Fund is to provide liquidity and an attractive rate of income relative to short term interest rates. The total net return of the Group's investment in this fund was HK\$239,000 (or 1.3%) gain for the six months ended 30 June 2019.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 8 fixed income funds, which can be mainly grouped into four categories, namely investment grade bond funds, high yield bond funds, preferred security fund and floating rate senior loan fund. As at 30 June 2019, the fair value of the Group's investment in this strategy was HK\$253,031,000, representing approximately 50.8% of the carrying value of the marketable funds investment portfolio and 25.1% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK\$20,124,000 (or 8.2%) in profit for the six months ended 30 June 2019. Below are the individual fund investments with fair values exceeding 1.5% of the carrying value of the Group's total assets.

PIMCO GIS- Income Fund

The PIMCO Income Fund is a portfolio that is actively managed and utilizes a broad range of fixed income securities to maximize current income while maintaining a relatively low risk profile, with a secondary goal of capital appreciation. The fund (Institutional Income Class USD) has had a 5 year annualized return of 5.17% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$75,197,000 (31 December 2018: HK\$78,176,000), representing approximately 7.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$4,801,000 (or 6%) gain in the period under review, including a HK\$3,157,000 mark-to-market gain, and HK\$1,443,000 of dividend income and gain on redemption of HK\$201,000. The Group reduced its investment in the Fund during the first half for treasury/investment purposes by redeeming HK\$7,780,000. The total Fair Value as at 30 June 2019 reported above is the nett figure after this redemption and including the mark-to-market return, and the reinvestment of dividend income received. Bond funds performed well in the first half as fears of US Fed interest rate rises subsided.

IP All Seasons Bond Fund

The IP All Seasons Bond Fund (managed by Income Partners Asset Management (HK) Limited) aims to generate income and capital growth through investments in global investment grade bonds. The Fund invests in bonds issued by governments, government agencies, corporations and financial institutions on a global basis, with a strong emphasis on the Asian region. At least 70% of the bond portfolio consists of investment-grade related securities. The fund (Class A Distribution) has had a 5 year annualized return of 3.47% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$44,422,000 (31 December 2018: HK\$41,408,000), representing approximately 4.4% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$4,063,000 (or 9.8%) gain including dividend income of HK\$1,049,000 and mark-to-market gain of HK\$3,014,000. The Fund is heavily exposed to mainland PRC bonds which performed much better than industry averages during the period under review as the Central government adjusted its deleveraging policy, thus reducing perceived refinancing and resilience risks, allowing the capital value of the related bonds to increase substantially.

Robeco High Yield Bond Fund

Robeco High Yield Bond Fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from the developed market (Europe/US). The selection of these bonds is mainly based on fundamental analysis. The portfolio is broadly diversified, with a structural bias to the higher-rated segment in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund (Class DH USD) has had a 5 year annualized return of 4.46% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$39,271,000 (31 December 2018: HK\$36,735,000), representing approximately 3.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$3,700,000 (or 10.1%) gain in the half year under review including HK\$1,164,000 in dividend income and HK\$2,536,000 in mark-to-market gain.

UBS (Lux) Bond Fund – Euro High Yield (USD Hedge)

The UBS Euro High Yield Bond Fund invests primarily in high-yield corporate bonds selected using strict criteria either denominated in EUR or hedged into EUR. When selecting issuers of such bonds, particular attention is taken to spread investments across the various credit ratings. The fund (Class K-1 with monthly distribution) has had a 3 year annualized return of 5.49% for the period 2016-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$35,982,000 (31 December 2018: HK\$34,293,000), representing approximately 3.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$2,895,000 (or 8.4%) gain in the period under review including HK\$1,206,000 in dividend income and \$1,689,000 in mark-to-market gain.

Invesco US Senior Loan Fund

The Invesco US Senior Loan Fund invests primarily in senior secured loans to non-investment grade corporations organized or located in the United States or Canada with interest rates that float at a spread above LIBOR, reset about every 60 days. The fund (Class H) has had a 5 year annualized return of 2.52% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$16,362,000 (31 December 2018: HK\$15,517,000), representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$845,000 (or 5.4%) in mark-to-market gains for the 6 months ended 30 June 2019.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Algebris Financial Credit Fund

The Algebris Financial Credit Fund aims to achieve a high level of current income and modest capital appreciation by investing in senior and subordinated debt securities of the financial credit sector globally including hybrid capital instruments, preference shares and contingent convertible bonds (CoCos) with fixed and variable interest rates, which may be rated investment grade or below investment grade. The fund (I Class Accumulating) has had an annualized return of 4.42% for the period since its inception in February 2015 and ended 31 December 2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$16,615,000 (31 December 2018: HK\$15,029,000), representing approximately 1.7% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$1,586,000 (or 10.6%) mark-to-market gain in the half year under review.

Principal Preferred Securities Fund

The Principal Preferred Securities Fund seeks to achieve its overall objective by investing primarily in a portfolio of US dollar denominated preferred securities and debt securities, including convertible bonds and contingent convertible securities (CoCos). The fund (Class I, accumulating USD) has had a 5 year annualized return of 4.93% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$16,583,000 (31 December 2018: HK\$15,002,000), representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$1,581,000 (or 10.5%) gain in mark-to-market value during the half year under review.

Enhanced Yield Fund Portfolio

As at 30 June 2019, the Group held 3 funds in this strategy with a fair value of HK\$164,804,000, representing approximately 33.1% of the carrying value of the marketable fund investment portfolio and 16.4% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK\$13,713,000 (or 6.9%) in profit for the six months ended 30 June 2019. The Group's investment in each individual fund in these categories exceeds 1.5% of the carrying value of the Group's total assets.

Prudence Enhanced Income Fund

Prudence Enhanced Income Fund managed by Fangyuan Asset Management Limited is an absolute return long-short credit strategy which aims to generate stable income and capital appreciation primarily by investing in a variety of fixed income instruments. The strategy seeks opportunities throughout Asia. The fund (accumulating class) has had a 5 year annualized return of 7.73% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$79,601,000 (31 December 2018: HK\$75,324,000), representing approximately 7.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$4,277,000 (or 5.7%) gain in mark-to-market value during the half year under review.

IP All Seasons Asian Credit Fund

The IP All Seasons Asian Credit Fund (managed by Income Partners Asset Management (HK) Limited) aims to provide an absolute return of capital growth and income by investing in the liquid Asian credit markets while minimizing return volatility. The Fund seeks to enhance returns for this portfolio by (a) relative value trading; (b) utilizing credit derivatives such as credit linked notes and credit default baskets; and (c) employing leverage. It also employs various tactical approaches, including a country rotation approach, a sector rotation approach; and an instrument/arbitrage approach. With an aim to minimize return volatility, the Fund utilizes dynamic hedging strategies to hedge out certain interest rate, currency and credit risks from time to time. The fund (Accumulation Class) has had a 5 year annualized return of 7.06% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$68,860,000 (31 December 2018: HK\$62,033,000), representing approximately 6.8% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$6,827,000 (or 11%) in mark-to-market gain during the half year under review.

Allianz Income & Growth Fund

The Allianz Income and Growth Fund is a multi-asset fund managed by AllianzGI US which mainly invests in a combination of equity instruments, high-yield and convertible bonds from issuers domiciled in USA or Canada. The fund (Class I, accumulating) has had an annualized return of 4.17% for the period 2014-2018. As at 30 June 2019, the Fair Value of the Group's investment in this Fund was HK\$16,343,000 (31 December 2018: HK\$14,414,000), representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$1,929,000 (or 13.4%) mark-to-market gain in the half year under review.

H2O Allegro Fund

In June 2019, the Group redeemed the whole of its investment in the H2O Allegro Fund which is an open-ended fund registered in France and managed by H2O AM LLP. Thus, the Group recorded a gain of HK\$680,000 (or 1.5%) on redemption for the half year under review and there is currently no exposure to this Fund. Although the fund had made very good returns (of 18.7%) during the period of our investment in 2018, the returns for the first half of 2019 were not as good, and we became concerned about some of the strategies employed by the manager. Altogether, over a 10 months period, we achieved a return of 20.4%.

Equity-Based Funds Portfolio

As a result of concern about the state of the market, the management deliberately held back on fully investing in the equity component of the marketable funds investment portfolio. As at 30 June 2019, the Group held 8 equity-based funds with a fair value of HK\$61,766,000, representing approximately 12.4% of the carrying value of the marketable fund investment portfolio and 6.1% of the carrying value of the Group's total assets. The Equity-based Funds Portfolio includes 4 technology funds, 2 China opportunity funds, one European Growth Fund and one Long term theme fund. The total net return of the Group's investment in these funds was HK\$10,285,000 (or 18.9%) gains for the six months ended 30 June 2019.

CHIEF EXECUTIVE OFFICER'S STATEMENT

B. A Discretionary Investment Portfolios managed by Morgan Stanley Asia International Limited ("MS Portfolio") and LGT Bank (Hong Kong) ("LGT Portfolio")

MS Portfolio

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary management portfolio managed on our behalf by Morgan Stanley Asia International Limited. The MS Portfolio offers a bespoke asset allocation solution based upon Morgan Stanley Global Investment Committee Model recommendations and dynamically incorporated monitoring of the macroeconomic outlook, market conditions, fund manager views and fund portfolio positioning into the portfolio. Investments are made via traditional and sophisticated multi-asset, equity and fixed income funds, ETFs and money market instruments. As of 30 June 2019, the total carrying value of the MS Portfolio was HK\$58,628,000 with 22 fund/ETF holdings (31 December 2018: HK\$51,589,000), representing approximately 5.8% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised of 27.1% money market fund, 26.5% fixed income funds, 31.2% equity funds and others 15.2%. The underlying assets in the MS Portfolio are being set up gradually to spread risk and a certain portion of the funds was invested in the Money Market Fund awaiting suitable opportunities. The MS Portfolio recorded a net profit of HK\$3,618,000 (or 6.5%) during the period under review.

LGT Portfolio

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary portfolio managed on our behalf by LGT Bank (Hong Kong). The LGT portfolio offers a bespoke asset allocation solution based upon recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and security and fund selection into the portfolio. Investments are largely made via direct equity and fixed income securities, and to a smaller extent with funds or ETFs. As of 30 June 2019, the total market value of the LGT portfolio was HK\$52,344,000, with 74 securities (fixed income and equities), 1 equity mutual fund, and 5 alternative investment holdings (including gold and REITs), representing in total approximately 5.20% of the carrying value of the Group's total assets. The asset allocation in the LGT portfolio as of 30 June 2019, comprised of 70.3% in fixed income, 26.1% in equities, and 3.6% in equity mutual fund and alternative investments. The underlying assets in the LGT portfolio have been set up to diversify risk and reduce volatility, and thus fixed income is the dominant asset class within the portfolio. The LGT portfolio was inception after 22 January 2019, and had returned a HK\$3,130,000 (or 6%) gain from inception through 30 June 2019.

C. Listed Securities

Under the intention to minimize the Group's investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional asset managers, the Group had disposed most of its listed stock holdings by the end of 2018. As of 30 June 2019, the Group directly held only two listed securities in our portfolio, which are China Motor Bus Company, Limited ("CMB") and PuraPharm Corporation Limited ("PuraPharm"). As of 30 June 2019, the total carrying value of investment in CMB and PuraPharm shares was HK\$53,393,000 (31 December 2018: HK\$47,124,000), representing approximately 5.3% of the carrying value of the Group's total assets. The investment in CMB and PuraPharm recorded a net gain of HK\$7,908,000, which represents an unrealized fair value gain of HK\$7,449,000, a gain on disposal of HK\$138,000 and dividend income of HK\$321,000 to the Group for the six months ended 30 June 2019 (2018: HK\$4,674,000 net loss). The net return of the other disposed listed stock was HK\$96,000 loss for the corresponding period.

China Motor Bus Company, Limited

The Group has had an investment in the shares of CMB for many years. As reported in the 2016 Annual Report and in our related announcement of 28 December 2016, the Group took advantage of an offer from a fund specialized in extracting value from underperforming assets to reduce substantially, and at a substantial profit from previous prices, our illiquid stake in this Hong Kong listed company which is now mainly a property developer. The Group believes that CMB's share price trades at a substantial discount to both its stated and its potential net asset value, and accordingly kept a small portion of its securities in order to benefit from the potential upside. It is the intention of the Group to retain this stock until a further profit opportunity arises. In the meantime, in the second half, we will obtain the benefit of a special dividend of HK\$18 per share, being most of CMB's profit realized on the sale of a commercial building in North Point, and we obtain a moderate but reasonable regular dividend income (currently around 3% on market value) from the holding. The share is very illiquid but we have recently taken some profit of HK\$138,000 from disposal during the first half of the year. As stated above, the gain in fair value is mainly related to the anticipated special dividend, however even after the ex-dividend date the stock was trading above its previous rates. The fair value gain reflected in our half yearly results is largely a result of this, together with the market's knowledge and the Company's estimation that, with the North Point sale, and even after the payment of the special dividend, close to HK\$70 per share of the total balance sheet of CMB is represented by cash and there are still major properties and property development opportunities in CMB.

PuraPharm Corporation Limited

The Group invested in the pre-IPO of PuraPharm, a substantial supplier of Chinese medicine in Hong Kong, and sold approximately 40% of its stake into the IPO with profitable results which have previously been reported. The remaining 60% of its stake was retained at the time for future appreciation. Although the share price has recently reduced as a result of matters that PuraPharm has itself announced, we have kept in close touch with the management of the now-listed company and are hopeful that the market will again realize the potential value of the business PuraPharm has created and the inherent potential of PuraPharm's listed shares. Liquidity in the stock is low, diminishing our options, however we will be keeping the investment under review. We have recently taken advantage of a certain amount of increased liquidity to sell 208,000 shares by 30 June 2019 at average prices around the market price as at 31 December 2018. This will reduce, to a small degree, the volatility in our profit figures contributed by this investment. We will continue to look for further opportunities to obtain value from this investment.

D. Listed USD corporate bond investments mainly with fixed tenor

As with the listed equity investments, with the Group's intention to reduce investments in individual bonds, the total carrying value of the Group's investment in listed corporate bonds had reduced to HK\$7,177,000 as of 30 June 2019 (31 December 2018: HK\$19,147,000), representing approximately 0.7% of carrying value of the Group's total assets. The Group's investment in corporate bonds recorded a net gain of HK\$687,000 (or 10.3%) for the six months ended 30 June 2019 (2018: a net loss of HK\$6,531,000). This was a direct result of the overall improvement in the market view of mainland PRC bonds for the reasons described above.

CHIEF EXECUTIVE OFFICER'S STATEMENT

E. Other Fund Investments, mainly include ASEAN China Investment Fund III L.P. ("ACIF III") and ASEAN China Investment Fund IV L.P. ("ACIF IV")

The total carrying value of the Group's investment in this category was HK\$50,769,000 (31 December 2018: HK\$50,747,000) as of 30 June 2019 and it recorded a net gain of HK\$3,925,000 (2018: a net gain of HK\$4,360,000) for the six months ended 30 June 2019.

ACIF III Fund (Private Equity)

The Group made an investment commitment of US\$4 million (equivalent to HK\$31,120,000) in ACIF III for a 1.532% shareholding. ACIF III, is managed out of Singapore by UOB Venture Management Private Limited ("UOBVM") team and targets investments in growth oriented companies operating in East and South East Asia and China. As of 30 June 2019, the Group has a total invested of HK\$28,516,000 in this fund and its capital value was HK\$38,306,000 based on the management accounts it has provided. The total return of the Group's investment in ACIF III is HK\$4,030,000 gain for the six months ended 30 June 2019.

The Group continues to be happy with the performance of this long-term private-equity investment which helps us to manage our risk by giving us an exposure to a wide and diverse range of potentially profitable private equity investments managed by a tried and tested Manager. Based on the briefings provided by the manager to the Limited Partners in the fund of which we are one, we have confidence in both its performance and its prospects.

ACIF IV Fund (Private Equity)

With the success of ACIF III, the Group made a capital commitment of US\$4 million (equivalent to HK\$31,120,000) in ACIF IV for a 2.22% shareholding. Like all private equity funds, the actual draw down of funds will take place as required by the underlying investments over a few years.

ACIF IV Fund is an exempted limited partnership incorporated in the Cayman Islands on 20 February 2018, which is a closed-end private equity fund. The Fund is also managed out of Singapore by UOBVM team, and is a "follow-on" fund to its predecessors (ACIF I, ACIF II and ACIF III) and continues its focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in growing small and medium sized companies benefitting from the continuing expansion of trade and investment among the ASEAN member-states and China, and their respective overseas trading partners.

The total return of the Group's investment in ACIF IV to Profit or Loss for the first half of 2019 is HK\$286,000 in losses which was the management fee charged by the General Partner and the administration fee of the fund. This is normal at this early stage of a private equity fund and was anticipated and flagged at the time of the investment.

Investment Portfolio

The purpose of Investment in Financial Instruments, which are managed on a fair value basis, is for earning distributions, yield enhancement, capital appreciation and liquidity. In view of the volatile and uncertain investment environment, in order to improve performance and to better manage risk, the importance to shareholders of the potential returns and the increasing requirement for increasingly specialized and skilled investment management, the Group intended to minimize its direct investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional and substantial asset managers. Also, the Group has allocated a certain portion of its investment to a discretionary portfolio management portfolio, still under the control of the Group but managed by two Investment Banks in Hong Kong.

The details of the purpose, performance and business risks of investments, strategy for future investments and the prospects of investments are set out in other parts of the Chief Executive Officer's statement.

Investment Portfolio (Continued)

The Group's investment portfolio as at 30 June 2019 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company name	Principal businesses	Number of shares/units held as at 30 June 2019 '000	Note	Percentage of shareholding as at		Investment cost of investments held as at 30 June 2019 HKD'000 (Note B)	For the period ended 30 June 2019			Fair value as at 30 June 2019 HKD'000	Percentage to the Group's total assets as at 30 June 2019 %	Fair value as at 31 December 2018 HKD'000	
					30 June 2019 %	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														
- Current assets														
A. Marketable Funds Investment Portfolio, at fair value														
<i>Unlisted</i>														
Money Market Portfolio														
MSUSQAC LX	Morgan Stanley USD Liquidity Fund	Money market fund	22	1	N/A	17,742	228	11	-	-	239	18,165	1.8%	20,105
Investment Grade & High Yield Bonds Funds Portfolio														
PINGMIL ID	PIMCO GIS - Income Fund	Fixed income fund	821		N/A	72,841	3,157	201	-	1,443	4,801	75,197	7.5%	78,176
IPASBAD KY	IP All Seasons Bond Fund	Fixed income fund	53		N/A	42,790	3,014	-	-	1,049	4,063	44,422	4.4%	41,408
RHYBCHU LX	Robeco Capital Growth Funds SICAV - High Yield Bonds	Fixed income fund	48		N/A	38,900	2,536	-	-	1,164	3,700	39,271	3.9%	36,735
UBEHK1U LX	UBS (Lux) Bond Fund - Euro High Yield (EUR) (USD hedged) K-1 Indist	Fixed income fund	0		N/A	36,003	1,689	-	-	1,206	2,895	35,982	3.6%	34,293
LU025954014	Invesco Zodiac Funds FCP-SIF - Invesco US Senior Loan Fund	Senior Loan fund	12		N/A	15,560	845	-	-	-	845	16,382	1.6%	15,517
ALGFUS ID	Algebris UCITS - Alge Fin+Acc-USD	Fixed income fund	16		N/A	15,560	1,586	-	-	-	1,586	16,615	1.7%	15,029
PGIPSA ID	Principal Global Investors Funds - Preferred Securities Fund	Fixed income fund	92		N/A	15,560	1,581	-	-	-	1,581	16,583	1.6%	15,002
GSAPUDHKY	Goldman Sachs INV UNITST-AS High Yield Bond Fund	Fixed income fund	87		N/A	7,780	653	-	-	-	653	8,599	0.9%	7,946
Subtotal											253,031	25.1%	244,106	

CHIEF EXECUTIVE OFFICER'S STATEMENT

Investment Portfolio (Continued)

The Group's investment portfolio as at 30 June 2019 was as follows: (Continued)

Stock code/ ISIN code/ Bloomberg code	Company name	Principal businesses	Number of shares/units held as at 30 June 2019 '000	Note	Percentage of shareholding as at		Investment cost of investments held as at 30 June 2019 HKD'000 (Note 8)	For the period ended 30 June 2019			Fair value as at 30 June 2019 HKD'000	Percentage to the Group's total assets as at 30 June 2019 %	Fair value as at 31 December 2018 HKD'000		
					30 June 2019 %	30 June 2019 %		Fair value gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000				Dividend income HKD'000	Total HKD'000
Enhanced Yield Fund Portfolio															
PRUENHKY	Prudence Enhanced Income Fund - US series 98	Alternative fund	13		N/A	N/A	77,800	4,277	-	-	4,277	79,601	7.9%	75,324	
ASCREHAKY	IP All seasons Asian credit fund	Fixed income fund	255		N/A	N/A	62,240	6,827	-	-	6,827	68,860	6.6%	62,033	
ALZIGITLX	Allianz Income & Growth IT-USD	Multi assets fund	1		N/A	N/A	15,887	1,929	-	-	1,929	16,343	1.6%	14,414	
NAHAHJFP	H2O Allegro USD (Accumulation)	Alternative fund	-		N/A	N/A	N/A	-	680	-	680	-	-	46,167	
<i>Subtotal</i>								13,033	680	-	-	13,713	164,804	16.4%	197,938
Equity-Based Funds Portfolio															
TRGBTEILX	T. Rowe Price Global Technology Equity Fund	Equity fund	86		N/A	N/A	11,650	2,378	-	-	2,378	12,745	1.3%	10,367	
UBSCHOA	UBS (CAY) China A Opportunity Fund	Equity fund	4		N/A	N/A	6,182	3,185	-	-	3,185	10,821	1.1%	7,636	
ULTTUPALX	UBS (LUX) Equity - Long Term themes P - Acc Fund	Equity fund	7		N/A	N/A	7,391	1,229	-	-	1,229	7,868	0.8%	6,639	
JPGEULU LX	Jupiter European Growth Fund Class L	Equity fund	54		N/A	N/A	7,235	1,462	-	-	1,462	8,278	0.8%	6,816	
ASTEABRKY	Asian Technology Absolute Return Fund Series 34	Equity fund	6		N/A	N/A	7,780	(36)	-	-	(36)	6,667	0.7%	6,703	
CSGREBULX	CS Global Robotics Equity Fund	Equity fund	58	2	N/A	N/A	7,858	1,602	-	-	1,602	8,068	0.8%	6,466	
<i>Subtotal</i>								261	204	-	-	465	7,319	0.7%	5,702
<i>Subtotal</i>								10,081	204	-	-	10,285	61,766	6.1%	50,329
<i>Subtotal</i>								38,403	1,096	-	4,862	44,361	497,766	49.4%	512,478

Investment Portfolio (Continued)

The Group's investment portfolio as at 30 June 2019 was as follows: (Continued)

Stock code/ ISIN code/ Bloomberg code	Company name	Principal businesses	Number of shares/units held as at 30 June 2019 '000	Note	Percentage of shareholding as at		Investment cost of investments held as at 30 June 2019 HKD'000 (Note B)	For the period ended 30 June 2019			Fair value as at 30 June 2019 HKD'000	Percentage to the Group's total assets as at 30 June 2019 %	Fair value as at 31 December 2018 HKD'000		
					30 June 2019 %	30 June 2019 HKD'000		Fair value gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000				Dividend income HKD'000	Total HKD'000
B. Discretionary Investment Portfolio, at fair value															
1) Managed by Morgan Stanley Asia International Limited															
<i>Unlisted</i>															
MSLDQAC LX	MS USD Treasury Liquidity Fund (Qualified Accumulated Share)	Money market fund	14		N/A		11,118	11	31	–	–	42	11,129	1.1%	–
JPMRCOU LX	JPM-MGD Reserves-CACC	Bond fund	0		N/A		5,681	63	–	–	–	63	5,744	0.6%	–
PIMINEA ID	PIMCO GIS-Income Fund-EA	Bond fund	47		N/A		5,185	71	–	–	–	71	5,256	0.5%	–
	Others	Mainly Bond and Equity fund, Money market fund and Mutual fund		3	N/A		N/A	2,092	1,344	–	6	3,442	36,499	3.6%	51,589
<i>Subtotal</i>								2,237	1,375	–	6	3,618	58,628	5.8%	51,589
2) Managed by LGT Bank (Hong Kong)															
<i>Listed and unlisted</i>															
	Others	Corporate bond investment		4	N/A		N/A	814	1,001	677	–	2,492	36,813	3.7%	–
	Others	Equity Fund investment/XAU		5	N/A		N/A	532	(5)	–	111	638	15,531	1.5%	–
<i>Subtotal</i>								1,346	996	677	111	3,130	52,344	5.2%	–
								3,583	2,371	677	117	6,748	110,972	11.0%	51,589

CHIEF EXECUTIVE OFFICER'S STATEMENT

Investment Portfolio (Continued)

The Group's investment portfolio as at 30 June 2019 was as follows: (Continued)

Stock code/ ISIN code/ Bloomberg code	Company name	Principal businesses	Number of shares/units held as at 30 June 2019 '000	Note	Percentage of shareholding as at		Investment cost of investments held as at 30 June 2019 HKD'000 (Note 8)	For the period ended 30 June 2019				Fair value as at 30 June 2019 HKD'000	Percentage to the Group's total assets as at 30 June 2019 %	Fair value as at 31 December 2018 HKD'000	
					30 June 2019 %	30 June 2019 %		Fair value gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000	Dividend income HKD'000				Total HKD'000
C. Listed Equity Investments, at fair value															
<i>Listed Hong Kong</i>															
26	China Motor Bus Company, Limited	Property development and investment	284		0.63%	14,079	14,079	7,719	138	--	321	8,178	34,737	3.5%	27,761
1498	PuraPharm Corporation Limited	Chinese medicine company	9,013		3.64%	35,551	(270)	--	--	--	--	(270)	18,656	1.9%	19,363
D. Debt Investments, at fair value															
<i>Listed Hong Kong and Overseas USD corporate bonds</i>															
				6			500	500	--	187	--	687	7,177	0.7%	19,147
- Non-current assets															
E. Other Fund Investments, at fair value															
<i>Unlisted investments</i>															
N/A	ASEAN China Investment Fund III L.P.	Private equity fund	3,638	7	1.532%	28,516	2,604	--	--	--	1,426	4,030	36,306	3.8%	34,828
N/A	ASEAN China Investment Fund IV L.P.	Private equity fund	1,255	7	2.220%	9,750	(286)	--	--	--	--	(286)	8,937	0.9%	12,184
	Others				N/A	N/A	69	69	--	--	112	181	3,526	0.4%	3,735
							2,387	2,387	--	--	1,538	3,925	50,789	5.1%	50,747
	Total						52,322	3,605	864	6,838	63,629	720,077	71.5%	681,085	

Notes:

- 1) The fund investments are traded over the counter and held as alternative liquidity option other than bank balances and are classified as cash equivalent for the purpose of statement of cash flows.
- 2) Including fund investment disposed during the period and the Group's other 2 investments in unlisted equity fund held at the period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2019.
- 3) Including fund investments disposed during the period and the Group's other 19 investments mainly in unlisted bond and equity fund, money market fund and mutual fund held at the period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2019.
- 4) Including debt investments disposed during the period and other 22 investments in USD corporate bonds with fixed tenor listed overseas held at period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2019.
- 5) Including equity/fund investments disposed during the period and other 58 investments in listed equity/unlisted fund/unlisted XAU investment held at period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2019.
- 6) Included the Group's other 2 investments in USD corporate bonds with fixed tenor held at period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2019.
- 7) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group had paid as at 30 June 2019.
- 8) For investments held at period end with carrying value more than 0.5% of the Group's total asset as at 30 June 2019.

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 2019.

TREASURY MANAGEMENT/POLICIES

As part of the ordinary activity of the Group, the Treasury function actively manages the cash and borrowings of the Group to ensure sufficient funds are available to meet our Group's commitments and day-to-day operations. The Group's liquidity and financial requirements are reviewed regularly.

In order to minimise risk, the Group continues to adopt a prudent approach regarding cash management and foreign exchange exposure. Treasury is permitted to invest cash in short-term deposits subject to specified limits and guidelines. Forward foreign exchange contracts are utilized when considered appropriate to mitigate foreign exchange exposures subject to specified limits and guidelines.

The Group's imported purchases are mainly denominated in Euro, with insignificant portions in Yen, British Pound and United States dollars and a negligible portion of investments are denominated in currencies other than United States dollars and Hong Kong dollars. The Group has undertaken small-scale hedging to protect its position, particularly with respect to the Euro 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. Typically, the Group purchases forward Euro and Euro cash amounting to approximately half of its anticipated purchase requirement.

CHIEF EXECUTIVE OFFICER'S STATEMENT

LIQUIDITY AND FINANCIAL POSITION

At 30 June 2019, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$112,872,000 (31 December 2018: 101,071,000). At 30 June 2019, total borrowings and lease liabilities amounted to HK\$3,304,000 (31 December 2018: HK\$3,195,000) and HK\$10,270,000 (31 December 2018: Nil) respectively with HK\$8,378,000 (31 December 2018: HK\$3,195,000) repayment falling due within one year. As mentioned in our annual report for 2018, the Group has invested a substantial proportion of the cash and non-pledged deposit holdings in external unitized equity and debt-related investment funds during the second half of 2018 which continues in this half-year. The Group will retain more than enough cash deposits for its daily activities in the treasury portfolio, and has chosen a high proportion of the funds including the money market funds as an alternative liquidity option classified as cash equivalent in which it will invest to ensure that there is more than adequate liquidity to deal with any likely eventuality as though the funds had been retained as cash. The Group's gearing ratio (a comparison of total borrowings and lease liabilities with equity attributable to equity holders of the Company) was 1.4% at the interim period date (31 December 2018: 0.3%). The current ratio at 30 June 2019 was 25.8 times (31 December 2018: 27.5 times).

At 30 June 2019, the Group's bank balance and borrowings were primarily denominated in United States dollars, Hong Kong dollars and Euro and exchange differences were reflected in the unaudited condensed consolidated financial statements. All borrowings of the Group are on a floating rate basis.

PLEDGE OF ASSETS

At 30 June 2019, pledges of the Group's fixed deposits of HK\$10,000,000 (31 December 2018: HK\$12,334,000) were given to banks to secure trade banking facilities to the extent of HK\$30,000,000 (31 December 2018: HK\$30,000,000) and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL PERIOD

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

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 30 June 2019 are set out in note 19 to the condensed consolidated financial statements.

A Consent Settlement was entered between the Group and the Hong Kong Building Authority as a result of which the Group's investigatory, and potential remedial and maintenance responsibilities is limited to a small part of the slope features adjacent to works near the northernmost portion of the road works undertaken by the Group in the early 1980s.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 137 staff, including Executive Directors compared with 135 as at 30 June 2018. Total employee costs (including Directors' emoluments) were approximately HK\$26,618,000 for the six months ended 30 June 2019 (2018: HK\$26,532,000). 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, sales commissions, 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, 26 August 2019

* Subsequent to the date of this report, we have been further notified of a revised tentative date of 29 November 2019 for a meeting of the Metro Planning Committee.

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 21 to 46 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2019 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

26 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	5	66,470	71,764
Cost of sales		(21,939)	(24,790)
Gross profit		44,531	46,974
Other income		748	738
Selling and distribution costs		(18,120)	(22,012)
Administrative expenses		(33,289)	(36,268)
Depreciation of property, plant and equipment and amortization		(3,602)	(3,270)
Other operating gains/(losses), net		55,924	(12,752)
Profit/(loss) from operations		46,192	(26,590)
Fair value gains on investment properties		300	2,100
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		(470)	5,335
Finance costs	6	(327)	(107)
Gain on liquidation of subsidiaries	17	—	1,073
Profit/(loss) before tax		45,695	(18,189)
Income tax expense	7	—	—
Profit/(loss) for the period	8	45,695	(18,189)
Attributable to:			
Owners of the Company		45,726	(18,153)
Non-controlling interests		(31)	(36)
		45,695	(18,189)
		HK\$ (unaudited)	HK\$ (unaudited)
Earnings/(loss) per share			
– Basic	9(a)	2.77 cents	(1.10 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 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit/(loss) for the period	45,695	(18,189)
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(14)	(42)
Exchange differences reclassified to profit or loss on liquidation of subsidiaries	—	(1,073)
Other comprehensive loss for the period, net of tax	(14)	(1,115)
Total comprehensive income/(loss) for the period	45,681	(19,304)
Attributable to:		
Owners of the Company	45,715	(19,257)
Non-controlling interests	(34)	(47)
	45,681	(19,304)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	70,194	74,013
Right-of-use assets	12	10,030	—
Investment properties		46,700	46,400
Intangible assets		913	956
Financial assets at fair value through profit or loss	13	50,769	50,747
Total non-current assets		178,606	172,116
Current assets			
Inventories		24,881	24,075
Trade receivables	14	793	537
Prepayments, deposits and other receivables		10,223	11,636
Financial assets at fair value through profit or loss	13	669,308	630,338
Pledged bank deposits		10,000	12,334
Time deposits		36,140	72,283
Cash and bank balances		76,732	28,788
Total current assets		828,077	779,991
Current liabilities			
Trade and other payables	15	23,657	25,141
Lease liabilities		5,074	—
Interest-bearing bank borrowings		3,304	3,195
Total current liabilities		32,035	28,336
Net current assets			
		796,042	751,655
Non-current liabilities			
Lease liabilities		5,196	—
NET ASSETS			
		969,452	923,771
Capital and reserves			
Issued capital	16	1,206,706	1,206,706
Accumulated losses		(1,046,737)	(1,092,463)
Other reserves		810,107	810,118
Equity attributable to owners of the Company		970,076	924,361
Non-controlling interests		(624)	(590)
TOTAL EQUITY			
		969,452	923,771

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(Unaudited)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Special reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2018	1,206,706	808,822	8,700	2,494	(1,028,066)	998,656	(492)	998,164	
Adjustments on initial application of HKFRS 9	—	—	(8,700)	—	8,700	—	—	—	
Restated balance at 1 January 2018	1,206,706	808,822	—	2,494	(1,019,366)	998,656	(492)	998,164	
Total comprehensive loss and changes in equity for the period	—	—	—	(1,104)	(18,153)	(19,257)	(47)	(19,304)	
At 30 June 2018	1,206,706	808,822	—	1,390	(1,037,519)	979,399	(539)	978,860	
At 1 January 2019	1,206,706	808,822	—	1,296	(1,092,463)	924,361	(590)	923,771	
Total comprehensive income and changes in equity for the period	—	—	—	(11)	45,726	45,715	(34)	45,681	
At 30 June 2019	1,206,706	808,822	—	1,285	(1,046,737)	970,076	(624)	969,452	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 <i>(unaudited)</i>	2018 HK\$'000 <i>(unaudited)</i>
Net cash generated from/(used in) operating activities	16,321	(7,374)
Net cash generated from/(used in) investing activities	3,067	(48,341)
Net cash used in financing activities	(9,520)	(3,654)
Net increase/(decrease) in cash and cash equivalents	9,868	(59,369)
Cash and cash equivalents at beginning of period	121,176	466,028
Effect of foreign exchange rate changes, net	(7)	(220)
Cash and cash equivalents at end of period	131,037	406,439
Analysis of balances of cash and cash equivalents		
Non-pledged time deposits	36,140	456,899
Less: Non-pledged time deposits with original maturity of over three months when acquired	—	(91,423)
Non-pledged time deposits with original maturity of less than three months when acquired	36,140	365,476
Financial assets at fair value through profit or loss – money market funds	18,165	14,453
Cash and bank balances	76,732	26,510
	131,037	406,439

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2018 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 2018 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 2018 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) 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 2018 except for the adoption of new and revised Hong Kong Financial Reporting Standards as described in note 2.

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 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) *Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the 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.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 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 relative stand-alone prices.

(b) *As a lessee*

The Group leases many assets, including its offices, retail shops and warehouse.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

HKFRS 16 Leases (Cont'd)

(b) As a lessee (Cont'd)

The recognised right-of-use assets relate to the following types of assets:

	Balance as at	
	30 June 2019 HK\$'000	1 January 2019 HK\$'000
Offices	5,579	6,733
Retail shops	1,630	9,018
Warehouse	2,821	—
Total right-of-use assets	10,030	15,751

Significant accounting policies

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

HKFRS 16 Leases (Cont'd)

(b) *As a lessee (Cont'd)*

Transition

Previously, the Group classified property leases as operating leases under HKAS 17. These include its offices, retail shops and warehouse. The leases typically run for a period of three years. Some leases provide for additional rent payments that are based on revenue generated from the leases.

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if HKFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17 on a lease-by-lease basis:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

HKFRS 16 Leases (Cont'd)

(c) Impacts of financial statements

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 January 2019 is summarised below.

	1 January 2019 HK\$'000
Assets	
Right-of-use assets	15,751
Total assets	15,751
Liabilities	
Trade and other payables	(465)
Lease liabilities	16,216
Total liabilities	15,751
Equity	
Accumulated losses	—
Non-controlling interests	—
Total equity	—

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.63%.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

HKFRS 16 Leases (Cont'd)

(c) Impacts of financial statements (Cont'd)

Impact on transition (Cont'd)

	1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	20,344
Less: Recognition exemption for leases with less than 12 months of leases term at transition	(22)
Recognition exemption for leases of low-value assets	(177)
Leases committed but not yet commenced at 1 January 2019	(3,561)
Effect from discounting at incremental borrowing rate at 1 January 2019	(368)
Lease liability recognised as at 1 January 2019	16,216
Of which are:	
Current lease liabilities	11,745
Non-current lease liabilities	4,471
	16,216

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK\$10,030,000 of right-of-use assets and HK\$10,270,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised amortization or depreciation and finance costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised HK\$9,078,000 of depreciation charges for right-of-use assets and HK\$213,000 of finance costs from these leases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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.

3. FAIR VALUE MEASUREMENTS (CONT'D)

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

Description	Fair value measurements as at 30 June 2019 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	67,498	–	–	67,498
– Listed debt investments	–	43,990	–	43,990
– Unlisted fund investments	–	561,346	47,243	608,589
	<u>67,498</u>	<u>605,336</u>	<u>47,243</u>	<u>720,077</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	46,700	–	46,700
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	66,000	66,000
Total recurring fair value measurements	<u>67,498</u>	<u>652,036</u>	<u>113,243</u>	<u>832,777</u>

Description	Fair value measurements as at 31 December 2018 using:			Total HK\$'000 (audited)
	Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	47,124	–	–	47,124
– Listed debt investments	–	19,147	–	19,147
– Unlisted fund investments	–	567,802	47,012	614,814
	<u>47,124</u>	<u>586,949</u>	<u>47,012</u>	<u>681,085</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	46,400	–	46,400
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	68,000	68,000
Total recurring fair value measurements	<u>47,124</u>	<u>633,349</u>	<u>115,012</u>	<u>795,485</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. FAIR VALUE MEASUREMENTS (CONT'D)

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

Description	Property, plant and equipment	Financial assets at fair value through profit or loss	2019 Total HK\$'000 (unaudited)
	Resort and recreational club properties HK\$'000 (unaudited)	Unlisted fund investments HK\$'000 (unaudited)	
At 1 January 2019	68,000	47,012	115,012
Additions	—	1,054	1,054
Amount received in respect of capital contribution and related interest from additional limited partners of an unlisted fund investment	—	(3,141)	(3,141)
Total fair value gain or loss recognised in profit or loss *	(470)	2,318	1,848
Depreciation charged to profit or loss	(1,530)	—	(1,530)
At 30 June 2019	66,000	47,243	113,243
* Include gains or losses for assets held at end of reporting period	(470)	2,318	1,848

Description	Property, plant and equipment	Financial assets at fair value through profit or loss	2018 Total HK\$'000 (unaudited)
	Resort and recreational club properties HK\$'000 (unaudited)	Unlisted fund investments HK\$'000 (unaudited)	
At 1 January 2018	73,900	33,172	107,072
Additions	33	2,313	2,346
Total fair value gain or loss recognised in profit or loss *	5,335	4,294	9,629
Depreciation charged to profit or loss	(1,268)	—	(1,268)
At 30 June 2018	78,000	39,779	117,779
* Include gains or losses for assets held at end of reporting period	5,335	4,294	9,629

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

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 2019 and 31 December 2018:

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 directors also exercise their judgment that the method of valuation of the resort and recreational club properties and investment properties is reflective of the current market conditions.

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 fund administrators/ 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: – Discount rate – Long-term growth rate – Average number of members in forecast period
Unlisted fund investment	Net asset value provided by the administrator of the fund

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 2019	31 December 2018	
Resort and recreational club properties situated in Hong Kong	Discount rate	11.3%	10.8%	Decrease
	Long-term growth rate	3%	3%	Increase
	Average number of members in forecast period	279 members	279 members	Increase
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 2019 and 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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;
- Fair value gains on investment properties, net;
- Deficits write-back/(deficits) on revaluation of resort and recreational properties;
- Gain on liquidation of subsidiaries
- Finance costs; and
- Income tax expense.

Segment liabilities do not include interest-bearing bank borrowings.

4. SEGMENT INFORMATION (CONT'D)

	Wholesale and retail of fashion wear and accessories HK\$'000 (unaudited)	Resort and recreational club operations HK\$'000 (unaudited)	Investments HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
6 months ended 30 June 2019:				
Revenue from external customers	50,473	7,662	8,335	66,470
Segment profit/(loss)	253	(6,439)	54,350	48,164
As at 30 June 2019:				
Segment assets	58,677	69,429	878,577	1,006,683
Segment liabilities	(20,619)	(2,401)	(10,907)	(33,927)
6 months ended 30 June 2018:				
Revenue from external customers	57,545	4,532	9,687	71,764
Segment loss	(910)	(6,890)	(13,840)	(21,640)
As at 31 December 2018:				
Segment assets, audited	53,514	71,529	827,064	952,107
Segment liabilities, audited	(15,775)	(3,086)	(6,280)	(25,141)

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Reconciliations of reportable segment profit or loss:		
Total profit or loss of reportable segments	48,164	(21,640)
Unallocated corporate administrative expenses	(1,972)	(4,950)
Gain on liquidation of subsidiaries	—	1,073
Fair value gains on investment properties	300	2,100
Deficits write-back/(deficits) on revaluation of resort and recreational club properties	(470)	5,335
Finance costs	(327)	(107)
Consolidated profit/(loss) for the period	45,695	(18,189)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. REVENUE

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<i>Revenue from contracts with customer</i>		
(i) Wholesale and retail of fashion wear and accessories		
Sale of fashion wear and accessories recognised at a point in time	50,473	57,545
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	3,832	2,065
Resort and club facilities and other services income recognised over time	2,626	1,225
Entrance fee and subscription fee income recognised over time	1,204	1,242
	<u>7,662</u>	<u>4,532</u>
<i>Revenue from other sources</i>		
(iii) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
– listed equity and fund investments	432	629
– unlisted fund investments	6,406	74
Interest income from:		
– Financial assets at fair value through profit or loss	864	4,316
– Other financial assets	633	4,668
	<u>8,335</u>	<u>9,687</u>
	<u><u>66,470</u></u>	<u><u>71,764</u></u>

6. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest on bank loans	114	107
Interest on lease liabilities	213	–
	<u>327</u>	<u>107</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 2019 and 2018 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.

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories sold [#]	21,906	24,778
Depreciation of right-of-use assets [^]	9,078	—
Depreciation of property, plant and equipment	3,559	3,227
Amortisation of intangible assets	43	43
Write back for inventories allowances	(1,711)	(1,586)
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Fair value losses/(gains), net	(52,322)	10,805
Losses/(gains) on disposal, net	(3,521)	2,106
	(55,843)	12,911
Fair value gains on investment properties	(300)	(2,100)
Gain on liquidation of subsidiaries	—	(1,073)
Loss on disposal of property, plant and equipment, net*	—	2
Foreign exchange gains, net*	(81)	(161)
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	470	(5,335)

* These amounts are included in "Other operating gains/(losses), net".

[#] Cost of inventories sold included write back for inventories allowances of HK\$1,711,000 (30 June 2018: write back for inventories allowances of HK\$1,586,000).

[^] These amounts are included in "Selling and distribution costs" (HK\$7,388,000) and "Administrative expenses" (HK\$1,690,000).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to owners of the Company of HK\$45,726,000 (30 June 2018: loss of HK\$18,153,000) and the weighted average number of ordinary shares of 1,650,658,676 (30 June 2018: 1,650,658,676) in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the six months periods ended 30 June 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

10. DIVIDENDS

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately HK\$210,000 (30 June 2018: HK\$163,000).

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group entered into a new lease agreement for warehouse for three years. The Group makes fixed payments during the contract period. On lease commencement, the Group recognised HK\$3,357,000 of right-of-use asset and lease liability.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 HK\$'000 (<i>unaudited</i>)	31 December 2018 HK\$'000 (<i>audited</i>)
Financial assets at fair value through profit or loss:		
Equity investments, at fair value (<i>note a</i>):		
– Listed in Hong Kong	54,286	47,124
– Listed outside Hong Kong	13,212	–
	<u>67,498</u>	<u>47,124</u>
Unlisted Fund investments, at fair value (<i>note b and note c</i>):	<u>608,589</u>	<u>614,814</u>
Debt investments, at fair value (<i>note d</i>):		
– Listed in Hong Kong*	7,177	14,641
– Listed outside Hong Kong*	36,813	4,506
	<u>43,990</u>	<u>19,147</u>
	<u><u>720,077</u></u>	<u><u>681,085</u></u>

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

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

	30 June 2019 HK\$'000 <i>(unaudited)</i>	31 December 2018 HK\$'000 <i>(audited)</i>
Current assets – Financial assets at fair value through profit or loss		
– Listed equity investments <i>(note a)</i>	67,498	47,124
– Unlisted fund investments <i>(note b)</i>	557,820	564,067
– Listed debt investments <i>(note d)</i>	43,990	19,147
	<u>669,308</u>	<u>630,338</u>
Non-current assets – Financial assets at fair value through profit or loss		
– Unlisted fund investments <i>(note c)</i>	50,769	50,747
	<u>720,077</u>	<u>681,085</u>

Notes:

(a) Listed equity investments, at fair value

The fair value of the listed equity investments are based on quoted market prices and the Group managed and evaluated the performance of these listed equity investments on a fair value basis, in accordance with the Group's risk management and investment strategy. These listed investments offer the Group the opportunity for return through dividend income and fair value gains.

(b) The fund investments as at 30 June 2019 amounted to HK\$557,820,000 (31 December 2018: HK\$564,067,000) which were traded over-the-counter and the Group managed and evaluated the performance of these fund investments on a fair value basis, in accordance with the Group's risk management and investment strategy. The fair values of the fund investments are based on the price quoted by the fund administrator/financial institution. The directors believe that the estimated fair value quoted by the fund administrator/financial institution is reasonable, and that it is the most appropriate value at the end of the reporting period.

Money market funds which are included in the fund investments as at 30 June 2019 are traded over-the-counter and held as alternative liquidity option other than bank balances. The directors considered that the Money Market Fund of HK\$18,165,000 (31 December 2018: HK\$20,105,000) is a highly liquid investment that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value and thus is classified as cash equivalent for the purpose of statement of cash flows.

(c) Unlisted fund investments, at fair value

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

As at 30 June 2019, carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK\$38,306,000 (31 December 2018: HK\$34,828,000) 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 2019 amounted to US\$363,000 (equivalent to approximately HK\$2,820,000) (31 December 2018: US\$475,000 (equivalent to approximately HK\$3,694,000)). 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes: (Cont'd)

(c) Unlisted fund investments, at fair value (Cont'd)

(ii) ASEAN China Investment Fund IV L.P.

As at 30 June 2019, the carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund IV L.P. ("ACIF IV"), amounted to HK\$8,937,000 (31 December 2018: HK\$12,184,000) which is not quoted in an active market. During the period ended 30 June 2019, the Group received HK\$3,141,000 in respect of capital contribution and related interest from additional limited partners pursuant to the agreement of limited partnership. The fair value of the investment in ACIF IV 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 IV and the unfunded commitments as at 30 June 2019 amounted to US\$2,745,000 (equivalent to HK\$21,358,000) (31 December 2018: US\$2,370,000 (equivalent to approximately HK\$18,438,000)). Contributions will be made when capital call is issued by the general partner of the fund.

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

(iii) Invesco US Senior Loans 2021, L.P.

As at 30 June 2019, carrying amount of unlisted fund investment included an investment in a fund, Invesco US Senior Loans 2021, L.P. ("Invesco") amounted to HK\$3,526,000 (31 December 2018: HK\$3,735,000). 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.

(d) The fair values of the debt investments as at 30 June 2019 amounted to HK\$43,990,000 (31 December 2018: HK\$19,147,000) are based on quoted market price or the price quoted by issuer/banker. These debt investments were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited/overseas stock exchanges. The directors believe that the estimated fair value quoted by the issuer/bank is reasonable, and that it is most appropriate value at the end of the reporting period.

As at 30 June 2019, these debt investments have maturity date ranging from 28 March 2020 to 15 May 2026 (31 December 2018: 22 August 2021 to 21 April 2077). The debt instruments amounted to HK\$8,372,000 as at 31 December 2018 has no fixed maturity date.

As at 30 June 2019, these debt instruments bear fixed coupon interest rate ranging from 2.5% to 5.45% (31 December 2018: 4.5% to 7.5%). The carrying amounts of the Group's debt investments are denominated in US dollars.

14. 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 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 1 month	753	523
2 to 3 months	38	14
Over 3 months	2	—
	<u>793</u>	<u>537</u>

15. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 30 June 2019 are trade and bills payables of HK\$8,402,000 (31 December 2018: HK\$6,636,000) and contract liabilities of HK\$2,065,000 (31 December 2018: HK\$1,802,000).

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Within 1 month	5,371	4,818
2 to 3 months	2,932	1,770
Over 3 months	99	48
	<u>8,402</u>	<u>6,636</u>

16. ISSUED CAPITAL

Issued and fully paid:

1,650,658,676 (31 December 2018: 1,650,658,676) ordinary shares

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
	<u>1,206,706</u>	<u>1,206,706</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. LIQUIDATION OF SUBSIDIARIES

During the period ended 30 June 2018, two indirect wholly-owned subsidiaries of the Company, Cesare di Pino (Beijing) Limited and The Swank Shop (Beijing) Limited which were incorporated in the PRC were liquidated. No cash was received by the Group upon the liquidation. A gain on liquidation of subsidiaries of HK\$1,073,000 was recognised during the period ended 30 June 2018 resulting from reclassification of relating exchange fluctuation reserve upon the liquidation of the subsidiaries.

18. RELATED/CONNECTED PARTY TRANSACTIONS

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

		Six months ended 30 June	
Note	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	
Lease expenses for lease liabilities, building management fees and air-conditioning charges paid to related companies	(i) 1,589	—	
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i) —	2,066	
Secondment fees charged by a related company	23	294	

Note:

- (i) Lease expenses for lease liabilities, 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	
Short term employee benefits	5,883	5,918	
Pension scheme contributions	53	54	
Total compensation paid to key management personnel	5,936	5,972	

19. CONTINGENT LIABILITIES

At 30 June 2019, the Group had the following contingent liabilities:

As reported in previous Annual and Interim reports, the Group has been through a long legal process to define and delimit its liability and obligations with respect to the supporting structures and slopes alongside the Hilltop Road (the relevant part of which is a private road) which provides access to its site in the Lo Wai district of Tsuen Wan.

Such liability and obligations were finally determined by the Court of Final Appeal (“CFA”) in a judgment on 9 May 2018 that found that the Special Condition (31) on its related Land Grant did not impose any maintenance duty on certain slope features the subject of the preponderance of the Hong Kong Building Authority (“BA”) Dangerous Hillside (“DH”) Orders first issued in 2006, save for a DH Order issued in 2008 related to another Special Condition (13) of the Land Grant which as a result of the Court of Appeal judgment on 11 August 2017 was remitted to the original Appeal Tribunal (Buildings) for further consideration and determination. A hearing was set down for May 2019.

Prior to the hearing however, a Consent Settlement was entered into between the Group and the BA pursuant to which the hearing was vacated, the original BA DH Orders all withdrawn and the Group agreed to fully comply with a single DH Order issued by the BA on 13 June 2019 (the “New Limited Order”), the wording of which was agreed between the Group and the BA, limiting the Group’s investigatory, and potential remedial and maintenance responsibilities to a small part of the slope features adjacent to works near the northernmost portion of the road undertaken by the Group in the early 1980s. Pursuant to the New Limited Order an Authorised Person and a Registered Geotechnical Engineer have been appointed to undertake the investigation required by the BA and to put forward proposals for remediation or prevention (if required) based on such findings to be submitted to the BA for approval within 7 months of the date of the New Limited Order (i.e. by 12 January 2020).

As at 30 June 2019, except for a provision of HK\$2.2 million made following an earlier stage of the proceedings, and which the management considers adequate, no other provision has been made for related costs. The legal costs of the Group in relation to the 10 years of proceedings were expensed as they were incurred and recognized in the relevant year’s profit and loss account. Pursuant to the CFA Judgment, the Group was awarded certain costs against the BA. Negotiations with respect to the recovery of these costs are ongoing and when finalised, the received funds will be treated as income in the profit and loss accounts as the expenditures that led to them were.

20. LEASE COMMITMENTS

As at 30 June 2019, the total future lease payments for leases committed and not yet commenced in relation to the retail shops were HK\$23,796,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. CAPITAL COMMITMENTS

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

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Contracted, but not provided for:		
Capital contribution to unlisted funds (<i>note 13(c)(i) and (ii)</i>)	24,178	22,132

22. APPROVAL OF FINANCIAL STATEMENTS

The interim report were approved and authorised for issue by the Board of Directors on 26 August 2019.

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 2019.

DIRECTORS’ AND CHIEF EXECUTIVE OFFICER’S INTERESTS

As at 30 June 2019, none of the Directors and Chief Executive Officer 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 2019, 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%
Chime Corporation Limited	Interest of controlled corporations	570,974,145	Note (i)	34.59%
Parasia Limited	Interest of controlled corporations	570,974,145	Note (ii)	34.59%
Ms. KUNG, Nina (deceased)	Interest of controlled corporations	570,974,145	Note (iii)	34.59%
Mr. CHAN, Wai Tong Christopher	Trustee	730,974,145	Notes (iv) & (v)	44.28%
Mr. JONG, Yat Kit	Trustee	730,974,145	Notes (iv) & (v)	44.28%
Mr. WONG, Tak Wai	Trustee	730,974,145	Notes (iv) & (v)	44.28%

Notes:

- (i) Chime Corporation Limited controlled Parasia Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.
- (ii) Parasia Limited controlled Diamond Leaf Limited and Solution Bridge Limited and was therefore deemed to be interested in the shares held by such companies.
- (iii) The interests disclosed under Ms. KUNG, Nina (deceased) represents her deemed interests 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).

OTHER INFORMATION

- (iv) Chime Corporation Limited was a controlled corporation 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 also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias Teh Huei Wang. Thus, each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was deemed to be interested in the shares in which Chime Corporation Limited was deemed to be interested.
- (v) Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was a trustee of the estate of Kung, Nina also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias Teh Huei Wang.

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 2019 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 2019.

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 2019.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information since the date of the Company's 2018 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- (1) With effect from 27 March 2019, the remuneration of Non-executive Directors (including Independent Non-executive Directors) for their service on the Board and, where applicable, on certain Board Committees has been revised as follows:

	<i>HK\$</i>
Fee per annum	
Board	
– Non-executive Director	165,600
– Independent Non-executive Director	165,600
Board Committees	
– Chairman	54,850
– Member	27,940
Non-executive Chairman	165,600
Attendance fee per meeting	
– Board meeting	8,790
– Committee meeting	5,690
– General meeting	5,690

- (2) At the Company's annual general meeting held on 12 June 2019 (the "2019 AGM"), Mr. Derek Wai Choi LEUNG, Non-executive Director, was re-elected as a Director of the Company for a term of approximately two years expiring at the conclusion of the Company's annual general meeting to be held in 2021, subject to retirement by rotation in accordance with the Company's Articles of Association.
- (3) At the 2019 AGM, Mr. David Charles PARKER, Executive Director, was re-elected as a Director of the Company. His directorship is for an unspecified term, but he is subject to retirement by rotation in accordance with the Company's Articles of Association.
- (4) Mr. Wing Tung YEUNG retired from the Board of Directors of the Company at the conclusion of the 2019 AGM, following which he ceased to be a member of each of the Corporate Governance Committee and the Investment Committee of the Company.
- (5) Mr. Ted Tak Tai LEE has resigned as an independent non-executive director of Daphne International Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 210) with effect from 30 June 2019.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2019 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 20 of this interim report. The condensed consolidated financial statements for the six months ended 30 June 2019 have also been reviewed by the Company's Audit Committee.

BOARD OF DIRECTORS

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

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

David Charles PARKER (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTOR

Derek Wai Choi LEUNG (*Non-executive Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kin Wing CHEUNG
Kiu Sang Baldwin LEE
Ted Tak Tai LEE
Sarah Young O'DONNELL

COMPANY SECRETARY

Pui Man CHENG

AUDITOR

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