



**CCTI FORTIS**

中建富通集團有限公司

Stock Code : 138

2018



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## chairman's statement

On behalf of the board of directors of the Company, I report the interim results of the Group for the six months ended 30 June 2018.

In the first half of 2018, against a backdrop of a volatile financial market as a result of a trade war between US and China, the Company continued to deliver satisfactory results, mainly attributable to the solid performance of its large portfolio of investment assets. Net profit attributable to owners of the parent was HK\$41 million. In addition, we achieved significant progress in development of our new business, as elaborated in the section headed "Business Review" of this interim report.

### **INTERIM DIVIDEND**

The Board has declared an interim dividend for 2018 of HK\$0.035 per Share (2017 interim dividend: HK\$0.035 per Share) to be payable from the Company's distributable reserves. The interim dividend of HK\$0.035 per Share will be payable on Thursday, 4 October 2018 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 18 September 2018.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 14 September 2018 to Tuesday, 18 September 2018 (both days inclusive), during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend of HK\$0.035 per share, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 September 2018.

### **BUSINESS REVIEW**

The Group is principally engaged in the following businesses:

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



## PROPERTY BUSINESS

In the first half of 2018, despite new cooling measures introduced by the Hong Kong Government, the property market remained buoyant. Housing prices continued to soar and land auction prices shattered historical record. As a result, the Centa-City Leading Index rose from approximately 165 points at the beginning of 2018 to 186 points as at 30 June 2018.

### Property development and trading

During the period under review, the Group's trading property portfolio comprised the two consecutive floors of retail property at No. 8 Russell Street (the "**Russell Street Property**"), located in the center of the busiest shopping and tourist area of Causeway Bay, Hong Kong.

As a result of robust local consumption and further rebound of inbound tourism, the retail property market continued to recover. During the period, we rented out the Russell Street Property at a satisfactory rental.

The property development and trading segment recorded an operating profit of HK\$11 million, represented by the reversal of part of the previous impairment loss as a result of recovery of the retail market.

### Property investment and holding

We continue to hold and manage a diversified investment property portfolio which comprises luxury residential houses, office properties, retail properties and shops, industrial properties and car parks. Our strategy in property investment is not only looking for rental yield but also seeking value appreciation over the long term. With this strategy in mind and our excellence in vision and insight in the property market, we have acquired a good combination of investment properties, the value of which has appreciated substantially over the years.

In the first half of 2018, our investment properties contributed fair value gains of HK\$102 million arising from revaluation of properties, resulting in an operating profit of HK\$98 million. This segment recorded an operating profit of HK\$112 million in the same period last year, largely attributable to fair value gains on properties and gain on disposal of an office property.

## SECURITIES BUSINESS

In the first six months of 2018, the Hong Kong stock market was extremely volatile. Picking up the momentum from 2017, the stock market rallied at the beginning of 2018 and Hang Seng Index reached the record high of 33,484 points in January 2018. Since then, the stock market reversed its upward trend and the share index turned downward. The market volatility rose as the trade tensions between US and China escalated. As a result, the Hang Seng Index fell to 28,955 points on the last trading day of the first half of 2018 and further plummeted to the yearly low of 26,871 points in August 2018, shed 6,600 points or approximately 20% from its record high.



The Company already felt the risk in the capital market in 2017 and therefore has exercised extra cautions in its investment decisions. In the first half of 2018, we focused our trading investment in shares and convertible bonds of CCT Land and other financial investment assets and we did not trade in the stock market during the period. Therefore, our securities business did not record any significant loss in the current period.

## **BLACKBIRD GROUP**

The Blackbird Group, under the leadership of its chief executive officer, Mr. TK Mak, continued to engage in (i) the Ferrari dealership business including the trading of new and pre-owned cars and the service and maintenance business for Ferrari; (ii) its classic car trading and investment business; and (iii) the car logistics business.

### **Ferrari dealership**

June 2018 marked the one-year anniversary of Blackbird Concessionaires' appointment as Hong Kong's official Ferrari dealer. The management is very pleased with the rapid and continuing development of its Ferrari dealership business.

During the six months ended 30 June 2018, the dealership started to generate significant revenue from sales of cars and after-sales services.

Following the new car launch event for the "Ferrari 812 Superfast" in November 2017 and during the period under review, we were pleased to present two more new Ferraris. These were the "Portofino" and the special model named "Ferrari 488 Pista". Launch events were arranged in March and June 2018 respectively. As a result, we received very strong and solid support from our customers and achieved many new cars sales orders within a short period of time.

After a few months of refurbishment and outfitting, our new Ferrari after-sales centre in Kwai Chung, which occupies about 70,000 square feet, opened and became operational in July 2018. This new facility is equipped to provide a full range of services including, but not limited to, repairing and maintenance, painting, body shop, pre-delivery inspection service and car storage. This new facility is expected to serve a large number of Ferrari customers and will generate significant service income to Blackbird.

### **Classic car trading and investment business**

During the period under review, we have continued to evaluate our classic car investment portfolio and engage in our classic car trading business. The management expects that this business will have potential for development and will provide further positive profit contribution to the Blackbird Group in the future.



### **Car logistics business**

The Group's logistics business performed well and expanded during the period under review. During the six months period up to 30 June 2018, we were engaged by many major car dealers and distributors to provide logistics services to carry their imported new cars from the container ports to their dedicated car storage warehouses. The new car logistics business consolidated our business model and strengthened our customer base.

Besides the new car logistics business, we continued to provide our normal internal car logistics service to car dealers and distributors and a roadside assistance service to insurance companies and private owners. Management believes that the car logistics business will continue to demonstrate significant growth in the future.

### **INVESTMENT AND TRADING IN TIME PIECES**

In the same manner as our classic car investments, investing in luxury time pieces is a potential business. During the period under review, we have further invested in valuable and luxury time pieces. A dedicated website has been launched in the first quarter of 2018 which provides editorial content and advertising support. This is in addition to our e-commerce platform for watch accessories, similar in style and language to other award-winning publishing assets within the Group. We believe that this investment business for watches will generate a significant return to the Blackbird Group in the future.

### **MULTIMEDIA BUSINESS**

In the first half of 2018, our investment in various digital platforms achieved significant progress. We launched our major release, Goal DX, in both iOS and Android in December 2017. Goal DX is a strategic football game featuring building a player's own team, customizing field players, competition with other games in the tournament and rich social elements. To promote the game, we have entered into an endorsement contract with Manchester City Football Club, one of the top teams in the English Premier League. Since its launch, Goal DX has attracted strong market interest. We are in the process of applying for license to release the game in China and will also try to commercialise the game in other countries including Asia and Europe.

With regard to our media operations, we realise that advertisers have shifted a major part of their budget from traditional printing media to online digital media. As a result, we intend to change our focus from traditional printing media to online digital media. In order to respond to this market change and to capture future growth potential, we have expanded our online team and recruited more creative video concept professionals to establish digital platforms in order to penetrate into the robust digital advertising market.



## **CULTURAL ENTERTAINMENT BUSINESS**

We have set a strong foothold in the fast-growing entertainment sector. Our cultural entertainment operations comprise film investment and distribution, audio and lighting and stage mechanical engineering operations, and artist management.

### **Film operations**

Our major film investment is the large-scale crime thriller film entitled “Sons of the Neon Night” (風林火山) (“**SONN**”), which we invest together with Beijing J.Q. Media & Culture Company Limited (北京嘉映文化傳媒有限公司) and Shaw Brothers Picture International Limited (邵氏兄弟國際影業有限公司). The castings for SONN include four very popular and famous male actors from Hong Kong and Taiwan and popular actresses from Hong Kong and China. Production and shooting of this movie already completed in January 2018 and post-production work has commenced. SONN already attracts strong market interest even before its release. Management plans to present world premiere of SONN in one of the world renowned international film festivals in 2019. Due to the high quality of this movie and its strong castings, SONN is expected to be a blockbuster movie when it is released.

We have also invested into two general-scale films with certain famous film distribution companies. These films have been released and received positive comments and acclaim.

### **Stage audio, lighting and engineering operations**

In the first half of 2018, we were engaged to provide lighting, audio and stage mechanical services for a large number of pop live concerts and events in Mainland China, Hong Kong and Macau. With a dedicated and well-trained operation team, a wide range of advanced equipment and our competitive strengths of long-established relationship with popular performers and concert and event organisers, we believe our stage operations will continue to grow in the future.

### **Artist management**

Since establishment of artist management operation in 2017, we have signed management contract with a very famous and popular female singer in Hong Kong. We consider that the artist management sector has good potential to grow and we will cooperate with more artists and singers in the future.

## **INDUSTRIAL GROUP**

The Industrial Group is engaged in the manufacturing of plastic components and the Child Products Trading Business. In the first half of 2018, the operation of the Industrial Group was relatively steady.





## OUTLOOK

Looking forward, the global economic outlook continues to be uncertain and is overshadowed by escalating trade tensions between US and China, strong USD, interest rate hike and geopolitical risks.

We are very pleased with the performance of our established businesses as well as the development of our new business ventures. We are happy to see the fast development of the Blackbird Group in the luxury markets. We are optimistic about the new Ferrari dealership and believe that this business will become a key driver of growth for revenue and profitability in the future. We consider that our new business ventures have promising prospects and good growth potentials and we maintain our commitment to develop these businesses.

Our business is in good shape. We have developed a diversified portfolio and business model with an integrated global aspect. With a robust balance sheet and capital base, we will continue to focus on growing the business, improving our competitive position and rewarding our shareholders.

## APPRECIATION

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

**Mak Shiu Tong, Clement**

*Chairman*

Hong Kong, 30 August 2018



# financial review

## OVERVIEW OF FIRST HALF 2018 FINANCIAL RESULTS

HK\$ million	Six months ended 30 June		
	2018 (Unaudited)	2017 (Unaudited)	% increase/ (decrease)
Revenue	<b>366</b>	297	23.2%
Profit before tax	<b>41</b>	91	(54.9%)
Tax credit	–	14	N/A
Profit for the period	<b>41</b>	105	(60.9%)
Attributable to			
– Owners of the parent	<b>41</b>	103	(60.2%)
– Non-controlling interests	–*	2	N/A
<b>Profit for the period</b>	<b>41</b>	105	(60.9%)
Earnings per share attributable to ordinary equity holder of the parent			
– Basic	<b>HK\$0.047</b>	HK\$0.117	(59.8%)
– Diluted	<b>HK\$0.040</b>	HK\$0.115	(65.2%)
Dividend per share	<b>HK\$0.035</b>	HK\$0.035	0%

\* less than HK\$1 million.

### Review on Financial Results

The Group's revenue for 1H18 of HK\$366 million was HK\$69 million or 23.2% higher than 1H17. The increase in revenue was mainly attributable to significant revenue contribution from the Ferrari dealership as its sales ramped up.

Net profit attributable to owners of the parent was HK\$41 million in 1H18, decreased by 60.2% as compared with HK\$103 million in 1H17. The profit of the current period was mainly derived from fair value gains on our investment properties, our investments in classic cars and time pieces. Against a backdrop of volatile financial market, it is considered that our financial performance is satisfactory.

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



## ANALYSIS BY BUSINESS SEGMENT

HK\$ million	2018		2017		% increase/ (decrease)
	Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %	
Property development and trading	–	0.0%	–	0.0%	N/A
Property investment and holding	6	1.6%	5	1.7%	20%
Securities business	–	0.0%	1	0.3%	N/A
Ferrari dealership	120	32.8%	–	0.0%	N/A
Classic car trading and logistic business	15	4.1%	53	17.8%	(71.7%)
Investment in classic cars	–	0.0%	–	0.0%	N/A
Film operations	–	0.0%	–	0.0%	N/A
Audio, lighting and stage engineering operations	94	25.7%	93	31.4%	1.1%
Industrial Group	99	27.1%	117	39.4%	(15.4%)
Other operations	32	8.7%	28	9.4%	14.3%
<b>Total</b>	<b>366</b>	<b>100.0%</b>	<b>297</b>	<b>100.0%</b>	<b>23.2%</b>

HK\$ million	Operating profit/(loss) for the six months ended 30 June		
	2018 (Unaudited)	2017 (Unaudited)	% increase/ (decrease)
Property development and trading	11	(5)	N/A
Property investment and holding	98	112	(12.5%)
Securities business	(1)	(1)	0%
Ferrari dealership	(6)	–	N/A
Classic car trading and logistic business	(3)	1	N/A
Investment in classic cars	12	15	(20%)
Film operations	(2)	(1)	(100%)
Audio, lighting and stage engineering operations	6	6	N/A
Industrial Group	(1)	(1)	N/A
Other operations	(24)	(18)	(33.3%)
<b>Total</b>	<b>90</b>	<b>108</b>	<b>(16.7%)</b>



### **Property development and trading**

In 1H18, the property development and trading segment recorded an operating profit of HK\$11 million, as opposed to an operating loss of HK\$5 million in 1H17, due to reversal of part of the impairment loss made previously.

### **Property investment and holding**

The property investment and holding segment recorded revenue from rental income of HK\$6 million (1H17: HK\$5 million) and reported operating profit of HK\$98 million (1H17: HK\$112 million), largely attributable to fair value gains arising from revaluation of our investment properties.

### **Securities business**

In 1H18, we did not trade in the stock market and therefore our securities business did not have any revenue (1H17: HK\$1 million). This business segment recorded an operating loss of HK\$1 million (1H17: HK\$1 million), representing operating expenses. In 1H18, we focused our financial investment in shares and convertible bonds of CCT Land and other financial assets.

### **Ferrari dealership**

Sales of the Ferrari dealership ramped up quickly. In 1H18, the dealership business reported revenue of HK\$120 million (1H17: nil) and recorded a loss of HK\$6 million, primarily due to start-up costs. We believe the dealership business will become one of the key drivers of the Group for growth of revenue and profitability in the future.

### **Classic car trading and logistic business and investment in classic cars**

The classic car trading and investment segments continued to perform well in 1H18, contributing operating profit of HK\$9 million (1H17: HK\$16 million) against reported revenue of HK\$15 million (1H17: HK\$53 million). The segmental net profit was mainly driven by the fair value gains on our collection of classic cars held for investment.

### **Film operations**

No revenue was recorded from the film operations in 1H17 and 1H18 as no income was received from our film projects. The film operations incurred a loss of HK\$2 million (1H17: HK\$1 million), as a result of administrative expenses.



### **Audio, lighting and stage engineering operations**

This business segment delivered revenue of HK\$94 million, marginally higher than the revenue of HK\$93 million in 1H17. Operating profit was HK\$6 million, same as 1H17. Management is confident in the growth potential of this business.

### **Industrial Group**

The revenue of the Industrial Group of HK\$99 million in 1H18, was 15.4% lower than 1H17, due to less orders from customers. Operating loss was HK\$1 million, same as 1H17.

### **Other operations**

Other operations comprise the classic car services center, the multimedia business (including the mobile game business), watches investment and trading and other new ventures which are in the development and start-up stage. The other operations' revenue of HK\$32 million was 14.3% higher. This segment recorded an operating loss of HK\$24 million (1H17: HK\$18 million), caused mainly by start-up and development costs and operating expenses.



## ANALYSIS BY GEOGRAPHICAL SEGMENT

HK\$ million	Revenue for the six months ended 30 June				
	2018		2017		% increase/ (decrease)
	Amount (Unaudited)	Relative %	Amount (Unaudited)	Relative %	
Hong Kong, Macau and Mainland China	<b>292</b>	<b>79.8%</b>	173	58.2%	68.8%
Europe	<b>17</b>	<b>4.6%</b>	65	21.9%	(73.9%)
USA and others	<b>57</b>	<b>15.6%</b>	59	19.9%	(3.4%)
<b>Total</b>	<b>366</b>	<b>100.0%</b>	297	100.0%	23.2%

Most of the Group's revenue was generated in the Hong Kong, Macau and Mainland China. The revenue from these regions of HK\$292 million was HK\$119 million or 68.8% higher than 1H17, driven mainly by the strong revenue contribution from the Ferrari dealership. Revenue from Europe decreased 73.9% to HK\$17 million, mainly due to fewer classic cars sold to the regions. The revenue from USA and other regions of HK\$57 million (1H17: HK\$59 million) representing mainly sales of Child Products to the regions, was stable with little change.

## CAPITAL STRUCTURE AND GEARING RATIO

HK\$ million	30 June 2018		31 December 2017	
	Amount (Unaudited)	Relative %	Amount (Audited)	Relative %
Bank and other borrowings	<b>1,580</b>	<b>32.1%</b>	1,343	28.6%
Finance lease payable	<b>9</b>	<b>0.2%</b>	9	0.2%
Total borrowings	<b>1,589</b>	<b>32.3%</b>	1,352	28.8%
Equity	<b>3,329</b>	<b>67.7%</b>	3,350	71.2%
Total capital employed	<b>4,918</b>	<b>100.0%</b>	4,702	100.0%

The Group's gearing ratio was 32.3% as at 30 June 2018, marginally higher than the gearing ratio as at 31 December 2017, reflecting a healthy financial position of the Group.

Total outstanding bank and other borrowings amounted to HK\$1,589 million as at 30 June 2018 (31 December 2017: HK\$1,352 million). Most of the Group's bank and other borrowings are long-term bank loans.

As at 30 June 2018, the maturity profile of the bank and other borrowings of the Group falling due within one year, in the second to the fifth years and beyond five years amounted to HK\$303 million, HK\$488 million and HK\$798 million, respectively (31 December 2017: HK\$456 million, HK\$518 million and HK\$378 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.



## LIQUIDITY AND FINANCIAL RESOURCES

HK\$ million	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Current assets	<b>2,796</b>	2,495
Current liabilities	<b>648</b>	702
Net current assets	<b>2,148</b>	1,793
Current ratio	<b>431.5%</b>	355.4%

The Group's current ratio was 431.5% as at 30 June 2018 (31 December 2017: 355.4%), reflecting a strong liquidity in its financial position. The position of working capital representing by net current assets was HK\$2,148 million, increased by HK\$355 million period-on-period.

As at 30 June 2018, the Group's cash balance was HK\$177 million (31 December 2017: HK\$131 million). Almost all of the Group's cash was in Hong Kong. In view of the Group's current cash position and the banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

## CAPITAL COMMITMENTS

As at 30 June 2018, capital commitment of the Group amounted to HK\$33 million (31 December 2017: HK\$102 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.

## TREASURY MANAGEMENT

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

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

The Group did not have any significant exchange risk in the 1H18. We will continue to monitor the currency exposure but we have no intention to enter into any high-risk exchange derivatives.



## **ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES**

The Group did not acquire or dispose of any material subsidiaries and associates during the period under review.

## **CHARGES ON ASSETS**

As at 30 June 2018, certain assets of the Group with a net book value of HK\$2,648 million (31 December 2017: HK\$2,514 million) was pledged to secure the Group's bank loans. Save as disclosed above, the Group did not have any other charges on its assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2018, the Group had contingent liabilities in terms of corporate guarantees of an aggregate amount of approximately HK\$53 million given by the Company to guarantee the banking facilities of certain members of the CCT Land Group (31 December 2017: HK\$146 million).

## **EMPLOYEES AND REMUNERATION POLICY**

The total number of employees of the Group as at 30 June 2018 was 741 (31 December 2017: 633). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and participants of the Group's approved share option scheme. At 30 June 2018, there were no outstanding share options issued by the Company.





## interim results

The Board of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

HK\$ million	Notes	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
<b>REVENUE</b>	3	<b>366</b>	297
Cost of sales		<b>(312)</b>	(258)
Gross profit		<b>54</b>	39
Other income and gains		<b>147</b>	167
Selling and distribution expenses		<b>(5)</b>	(2)
Administrative expenses		<b>(118)</b>	(86)
Finance costs		<b>(37)</b>	(27)
<b>PROFIT BEFORE TAX</b>	5	<b>41</b>	91
Tax credit	6	<b>-</b>	14
<b>PROFIT FOR THE PERIOD</b>		<b>41</b>	105
<b>Attributable to:</b>			
Owners of the parent		<b>41</b>	103
Non-controlling interests		<b>-</b>	2
		<b>41</b>	105
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
– Basic		<b>HK\$0.047</b>	HK\$0.117
– Diluted		<b>HK\$0.040</b>	HK\$0.115



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 30 June 2018*

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
<b>PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>41</b>	105
<b>Attributable to:</b>		
Owners of the parent	41	103
Non-controlling interests	–	2
	<b>41</b>	105



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

30 June 2018

HK\$ million	Notes	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	851	844
Investment properties		1,564	1,456
Goodwill		103	103
Intangible assets		25	28
Interest in an associate		10	10
Classic cars held for investment		132	120
Time pieces held for investment		77	32
Available-for-sale investments		–	113
Deposits and other receivables		16	17
Total non-current assets		<b>2,778</b>	2,723
<b>Current assets</b>			
Inventories		52	23
Stock of properties held for sale		290	274
Stock of classic cars held for sale		176	176
Trade receivables	10	371	1,661
Investment in films		68	59
Prepayments, deposits and other receivables		210	140
Financial assets at fair value through other comprehensive income	11	726	–
Financial assets at fair value through profit or loss	12	674	3
Pledged time deposits		52	28
Cash and cash equivalents		177	131
Total current assets		<b>2,796</b>	2,495
<b>Total assets</b>		<b>5,574</b>	5,218



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

30 June 2018

HK\$ million	Notes	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	<b>88</b>	88
Reserves		<b>3,222</b>	3,243
		<b>3,310</b>	3,331
Non-controlling interest		<b>19</b>	19
<b>Total equity</b>		<b>3,329</b>	3,350
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings		<b>1,327</b>	896
Convertible bonds	14	<b>232</b>	232
Deferred tax liabilities		<b>38</b>	38
Total non-current liabilities		<b>1,597</b>	1,166
<b>Current liabilities</b>			
Trade and bills payables	13	<b>60</b>	45
Tax payable		<b>56</b>	56
Other payables and accruals		<b>270</b>	95
Interest-bearing bank and other borrowings		<b>262</b>	456
Convertible bonds	14	<b>–</b>	50
Total current liabilities		<b>648</b>	702
<b>Total liabilities</b>		<b>2,245</b>	1,868
<b>Total equity and liabilities</b>		<b>5,574</b>	5,218
<b>Net current assets</b>		<b>2,148</b>	1,793
<b>Total assets less current liabilities</b>		<b>4,926</b>	4,516



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2018*

HK\$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Investment revaluation reserve (Unaudited)	Asset revaluation reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Capital redemption reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Proposed final dividend (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2018	88	224	741	871	2	69	22	24	29	1,230	31	3,331	19	3,350
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	41	-	41	-	41
2017 final dividend paid	-	-	-	-	-	-	-	-	-	-	(31)	(31)	-	(31)
Proposed 2018 interim dividend	-	-	-	(31)	-	-	-	-	-	-	-	(31)	-	(31)
At 30 June 2018	88	224	741	840	2	69	22	24	29	1,271	-	3,310	19	3,329
At 1 January 2017	88	226	741	933	2	36	22	24	29	1,049	31	3,161	21	3,202
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	103	-	103	2	105
2016 final dividend paid	-	-	-	-	-	-	-	-	-	-	(31)	(31)	-	(31)
Proposed 2017 interim dividend	-	-	-	(31)	-	-	-	-	-	-	-	(31)	-	(31)
At 30 June 2017	88	226	741	902	2	36	22	24	29	1,152	-	3,222	23	3,245



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 30 June 2018*

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	41	91
Adjustments for:		
Finance costs	37	27
Interest income	–	–
Depreciation	25	18
Amortisation of intangible assets	3	–
Gain on disposal of items of investment properties	–	(32)
Fair value gain on investment properties	(108)	(83)
Fair value gain on classic cars	(12)	(16)
Fair value gain on antique watches	(7)	–
Reversal of impairment loss on properties held for sale to net realisable value	(16)	–
Fair value gain on the derivative component of the convertible bonds	–	(1)
	<b>(37)</b>	4
Increase in inventories	(29)	(2)
Increase in stock of classic cars	–	(63)
Decrease in trade receivables	7	4
Increase in prepayments, deposits and other receivables	(70)	(37)
Increase/(decrease) in trade and bills payables, other payables and accruals	109	(9)
Decrease in financial assets at fair value through profit or loss	–	18
Cash used in operations	<b>(20)</b>	(85)
Tax paid	–	(2)
Interest received	–	–
Interest paid	(37)	(27)
Net cash flows used in operating activities	<b>(57)</b>	(114)



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)**For the six months ended 30 June 2018*

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(32)	(21)
Proceeds of sale of classic cars	–	26
Additions to antique watches clocks	(38)	(21)
Additions to intangible assets	–	(10)
Increase in investment in films	(9)	–
Increase in pledged time deposits	(24)	–
Proceeds of sale of investment properties	–	145
Increase in available-for-sale investment	–	(9)
Decrease in prepayment for acquisition of property, plant and equipment	–	9
Net cash flows (used in)/from investing activities	<b>(103)</b>	119
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	835	189
Repayment of bank loans and trust receipts loans	(598)	(164)
Dividends paid	(31)	(31)
Net cash flows generated from/(used in) financing activities	<b>206</b>	(6)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>46</b>	(1)
Cash and cash equivalents at beginning of the period	131	212
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>177</b>	211
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	177	211



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2017 (the “**2017 Annual Report**”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s 2017 Annual Report.

The following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) have been adopted by the Company with effect from 1 January 2018.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40 HK(IFRIC)-Int 22	<i>Transfers of Investment Property Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the unaudited condensed consolidated interim financial statements.





## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The nature and the impact of the changes are described below:

### **HKFRS 9 Financial Instruments**

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

#### **(a) Classification and measurement**

Except from trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- **Debt instruments at amortised cost** for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- **Debt instruments at FVOCI**, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's unlisted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### HKFRS 9 Financial Instruments *(continued)*

#### **(a) Classification and measurement *(continued)***

Other financial assets are classified and subsequently measured, as follows:

- **Equity instruments at FVOCI**, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Financial assets at FVOCI are not subject to an impairment assessment under HKFRS 9.
- **Listed equity investments at FVPL** comprise quoted equity investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The Group classified its listed equity instruments as financial assets at FVPL.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### HKFRS 9 Financial Instruments *(continued)*

#### **(b) Impairment**

HKFRS 9 requires an impairment on trade and loans receivables and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and loans receivables. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

### HKFRS 15 Revenue from contracts with customers

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard supersedes all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group adopted HKFRS 15 on 1 January 2018.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### HKFRS 15 Revenue from contracts with customers *(continued)*

The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

#### **(a) Sale of classic cars**

##### *Timing of revenue recognition*

Currently, sale of classic cars is recognised when the significant risks and rewards of ownership of the classic cars are transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the classic cars, that is when classic cars have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured. Upon the adoption of HKFRS 15, revenue from the sale of classic cars is recognised at a point in time when control over the classic cars is transferred to the buyers, generally on delivery of the classic cars. The application of HKFRS 15 has had no material impact on the timing of revenue recognised in the respective periods.

#### **(b) Provision and leasing of audio and lighting equipment**

##### *Timing of revenue recognition*

Currently, the revenue for provision and leasing of audio and lighting equipment is recognised when the services are rendered. Following the adoption of HKFRS 15, the Group has assessed that the services are satisfied over time given the customers simultaneously receive and consume the benefits provided by the Group. As most of the jobs have a short service cycle, the application of HKFRS 15 has had no material impact on the timing of revenue recognised in the respective periods.

#### **(c) Sale of plastic components and child products**

##### *Timing of revenue recognition*

Currently, sale of plastic components and child products is recognised when the significant risks and rewards of ownership of the products are transferred to the customers. Upon the adoption of HKFRS 15, the Group recognises the sale of plastic components and child products at the point in time at which the Group delivers the products to the buyers. The application of HKFRS 15 has had no material impact on the timing of revenue recognised in the respective periods.



## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### HKFRS 15 Revenue from contracts with customers *(continued)*

#### **(d) Presentation and disclosure**

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements are significant. In particular, the notes to the financial statements expands because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It also discloses information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

## 3. DISAGGREGATION OF REVENUE

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

### For the six months ended 30 June 2018

#### Timing of revenue recognition

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



#### 4. OPERATING SEGMENT INFORMATION

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

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

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

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



#### 4. OPERATING SEGMENT INFORMATION *(continued)*

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

##### For the six months ended 30 June 2018

HK\$ million (unaudited)	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio lighting and stage engineering operations	Industrial Group	Other operations	Re-conciliations	Total
<b>Segment revenue:</b>												
Sales to external customers	-	6	-	120	15	-	-	94	99	32	-	366
Other revenue	-	-	-	2	-	-	-	-	2	7	-	11
Intersegment revenue	-	1	-	-	-	-	-	4	-	5	(10)	-
	-	7	-	122	15	-	-	98	101	44	(10)	377
Operating profit/(loss)	11	98	(1)	(6)	(3)	12	(2)	6	(1)	(24)	-	90
Finance costs												(37)
Reconciled items:												
Corporate and other unallocated expenses												(12)
Share of loss of an associate												-
<b>Profit before tax</b>												41
Income tax credit												-
<b>Profit for the period</b>												41



#### 4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018 *(continued)*

HK\$ million (unaudited)	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio lighting and stage engineering operations	Industrial Group	Other operations	Re- conciliations	Total
<b>Other segment information:</b>												
Expenditure for non-current assets	-	-	-	23	-	-	-	6	2	1	-	32
Depreciation and amortisation	-	(4)	(1)	(2)	(1)	-	-	(6)	(1)	(10)	-	(25)
<b>Other material non-cash items:</b>												
Fair value gain on investment properties	-	102	-	-	-	-	-	-	-	6	-	108
Fair value gain on classic cars held for investment	-	-	-	-	-	12	-	-	-	-	-	12
<b>Segment assets</b>	<b>293</b>	<b>1,532</b>	<b>1,649</b>	<b>290</b>	<b>215</b>	<b>167</b>	<b>88</b>	<b>220</b>	<b>81</b>	<b>479</b>	<b>-</b>	<b>5,014</b>
Reconciled items:												
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	560	560
Total assets	293	1,532	1,649	290	215	167	88	220	81	479	560	5,574
<b>Segment liabilities</b>	<b>117</b>	<b>657</b>	<b>823</b>	<b>196</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>58</b>	<b>55</b>	<b>109</b>	<b>-</b>	<b>2,020</b>
Reconciled items:												
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	225	225
Total liabilities	117	657	823	196	5	-	-	58	55	109	225	2,245





#### 4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2017 (restated)

HK\$ million (unaudited)	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Audio, lighting and stage engineering operations	Industrial Group	Other operations	Re-conciliations	Total
<b>Segment revenue:</b>												
Sales to external customers	-	5	1	-	53	-	-	93	117	28	-	297
Other revenue	2	-	-	-	-	16	-	-	-	2	20	40
Intersegment revenue	-	1	-	-	-	-	-	5	-	1	(7)	-
	2	6	1	-	53	16	-	98	117	31	13	337
Operating profit/(loss)	(5)	112	(1)	-	1	15	(1)	6	(1)	(18)	108	162
Finance costs												(27)
<b>Reconciled items:</b>												
Corporate and other unallocated expenses												(10)
Written back of provision												20
<b>Profit before tax</b>												91
Income tax credit												14
<b>Profit for the period</b>												106
<b>Other segment information:</b>												
Expenditure for non-current assets	-	-	-	-	2	-	1	1	1	16	-	21
Depreciation and amortisation	-	(5)	(1)	-	(1)	-	-	(5)	-	(6)	-	(18)
<b>Other material non-cash items:</b>												
Fair value gain on investment properties	-	83	-	-	-	-	-	-	-	-	-	83
Fair value gain on classic cars held for investment	-	-	-	-	-	16	-	-	-	-	-	16
Gain on disposal of investment properties	-	32	-	-	-	-	-	-	-	-	-	32
As at 31 December 2017 (restated)												
<b>Segment assets</b>	276	1,435	1,589	131	217	155	88	232	75	437	-	4,635
<b>Reconciled items:</b>												
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	583	583
Total assets	276	1,435	1,589	131	217	155	88	232	75	437	583	5,218
<b>Segment liabilities</b>	118	676	475	173	6	-	-	81	42	116	-	1,687
<b>Reconciled items:</b>												
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	181	181
Total liabilities	118	676	475	173	6	-	-	81	42	116	181	1,868



#### 4. OPERATING SEGMENT INFORMATION *(continued)*

##### Geographical information

(a) *Revenue from external customers*

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Hong Kong, Macau and Mainland China	292	173
Europe	17	65
USA and others	57	59
	<b>366</b>	297

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

(b) *Non-current assets*

HK\$ million	30 June	31 December
	2018 (Unaudited)	2017 (Audited)
Hong Kong, Macau and Mainland China	2,762	2,593

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

##### Information about major customers

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

For the six months ended 30 June 2017, revenue of approximately HK\$50 million was derived from sales of the Industrial Group to a single customer and revenue of HK\$36 million was derived from sales of classic cars to a single customer, representing 17% and 12%, respectively, of the Group's total revenue.



## 5. PROFIT BEFORE TAX

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

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Cost of inventories sold	95	115
Cost of classic cars sold	8	37
Cost of Ferrari dealership business	102	–
Cost of provision and leasing of lighting and audio equipment and stage engineering services	82	77
Cost of automotive service provided	5	10
Cost of sales — other operations	20	19
Depreciation	25	15

## 6. TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Current — Hong Kong		
Charge for the year	–	(1)
Over provision for the prior year	–	4
Deferred	–	11
Total tax credit for the period	–	14

No Hong Kong profits tax has been provided for the six months ended 30 June 2018 as the Group had no profits chargeable to Hong Kong profits tax during the period. During the period of six months ended 30 June 2018 and the corresponding period in 2017, the Group had no profit subject to foreign tax outside of Hong Kong and no provision had been made for overseas tax.



## 7. DIVIDENDS

The board of directors has declared an interim dividend for 2018 of HK\$0.035 per Share (2017 interim dividend: HK\$0.035 per Share) to be payable from the Company's distributable reserves. The interim dividend will be payable on Thursday, 4 October 2018 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 18 September 2018. The register of members of the Company will be closed from Friday, 14 September 2018 to Tuesday, 18 September 2018 (both days inclusive) for determining the Shareholders' entitlement to the interim dividend.

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

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

HK\$ million	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	41	103
Interest on convertible bonds	8	8
Fair value gain on the derivative component of the convertible bonds	—	(1)
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	49	110

	Number of shares	
	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	875,381,452	877,849,452
Effect of dilution — weighted average number of ordinary shares of convertible bonds	333,600,000	76,991,532
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	1,208,981,452	954,840,984

The calculation of diluted earnings per share amount for the six months ended 30 June 2018 is based on the profit for the period attributable to equity holders of the parent and the weighted average of number of ordinary shares adjusted to reflect the effect of deemed conversion of convertible bond at the beginning of the period.



## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of approximately HK\$32 million (six months ended 30 June 2017: HK\$21 million).

## 10. TRADE RECEIVABLES

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

HK\$ million	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	41	11	1,620	97
31 to 60 days	20	5	18	1
61 to 90 days	14	4	15	1
91 to 270 days	296	80	8	1
	<b>371</b>	<b>100</b>	1,661	100

The credit period for most business of the Group ranges from one to three months. The credit term granted to the customers of the securities business is up to 270 days.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

HK\$ million	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Financial assets at fair value through other comprehensive income	726	–



## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK\$ million	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Financial assets at fair value through profit or loss	<b>674</b>	3

## 13. TRADE AND BILLS PAYABLES

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

HK\$ million	<b>30 June 2018 (Unaudited)</b>		31 December 2017 (Audited)	
	Balance	Percentage	Balance	Percentage
Current to 30 days	<b>29</b>	<b>48</b>	26	58
31 to 60 days	<b>20</b>	<b>33</b>	10	22
61 to 90 days	<b>4</b>	<b>7</b>	3	7
Over 90 days	<b>7</b>	<b>12</b>	6	13
	<b>60</b>	<b>100</b>	45	100

## 14. CONVERTIBLE BONDS

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

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



#### 14. CONVERTIBLE BONDS *(continued)*

##### (1) 2018 Convertible Bonds

During the six months ended 30 June 2018, the 2018 Convertible Bonds with the then outstanding principal amount of HK\$50 million were fully settled on their maturity date. There was no outstanding 2018 Convertible Bonds as at 30 June 2018.

##### (2) 2024 Convertible Bonds

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

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

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

During the six months period ended 30 June 2018, there was no movement of the 2024 Convertible Bonds.



#### 14. CONVERTIBLE BONDS *(continued)*

##### (2) 2024 Convertible Bonds *(continued)*

The following table set out the shareholding structure of the Company: (i) as at 30 June 2018, and (ii) for illustrative purpose only, the structure immediately after the issue of the 333,600,000 Shares upon full conversion of all the outstanding 2024 Convertible Bonds as at 30 June 2018 at the conversion price of HK\$0.75 per conversion share, assuming that there is no other changes to the share capital of the Company from 30 June 2018 to date of the allotment and issue of the conversion shares:

Shareholders	As at 30 June 2018		Immediately after conversion of all the outstanding 2024 Convertible Bonds and issue of the conversion shares	
	No. of Shares	%	No. of Shares	%
Capital Force	96,868,792	11.04	336,868,792	27.86
New Capital	171,357,615	19.59	264,957,615	21.91
Capital Winner	177,798,672	20.31	177,798,672	14.71
Mr. Mak	18,099,652	2.07	18,099,652	1.50
<b>Sub-total for Mr. Mak and his close associates</b>	<b>464,124,731</b>	<b>53.01</b>	<b>797,724,731</b>	<b>65.98</b>
<b>Public Shareholders</b>	<b>411,256,721</b>	<b>46.99</b>	<b>411,256,721</b>	<b>34.02</b>
<b>Total</b>	<b>875,381,452</b>	<b>100.00</b>	<b>1,208,981,452</b>	<b>100.00</b>

The outstanding 2024 Convertible Bonds has a dilutive effect on the earnings per share of the Group for the six months ended 30 June 2018 (2017: dilutive effect).





#### 14. CONVERTIBLE BONDS *(continued)*

##### (2) 2024 Convertible Bonds *(continued)*

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

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

Suggested conversion date	Company's Share price	Implied rate of return of bondholder
31 December 2018	HK\$0.75	5.12%
30 June 2019	HK\$0.75	5.12%

#### 15. SHARE CAPITAL

HK\$ million	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200	200
Issued and fully paid:		
875,381,452 (31 December 2017: 875,381,452 ordinary shares) ordinary shares of HK\$0.10 each	88	88

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2018.



## 16. CONTINGENT LIABILITIES

As at 30 June 2018, contingent liabilities not provided for in the financial statements were as follows:

### (a) Financial guarantees

HK\$ million	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Corporate guarantees given to banks in connection with facilities granted to the CCT Land Group	<b>53</b>	146
Performance guarantee in respect of payment obligations of a subsidiary (note i)	<b>35</b>	35

Notes:

- (i) As at 30 June 2018, the Group had contingent liabilities in connection with performance guarantee provided by a bank on behalf of a subsidiary of the Company in respect of the payment obligations of the subsidiary for an amount not exceeding HK\$35 million.
- (ii) In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors of the Company exercise judgement in the evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation.

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

### (b) Litigations

During 2017 and in or about February 2018, various property purchasers initiated legal proceedings against a subsidiary of the Company (the "Relevant Subsidiary") concerning alleged misrepresentations on the part of the Relevant Subsidiary in relation to certain properties sold by the Relevant Subsidiary. The Relevant Subsidiary has filed acknowledgement of service contesting these proceedings and its defences. Based on the existing legal documents and advice of the legal advisor of the Company, the directors of the Company are of the opinion that there is a reasonably good chance of success in the defence of these cases of the Relevant Subsidiary. In the opinion of the directors of the Company, no provision is considered necessary for the claims arising from the legal proceedings at the end of the reporting period.



## 17. PLEDGE OF ASSETS

At 30 June 2018, the Group's interest-bearing bank borrowings were secured by:

- (i) pledge of certain of the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$736 million (31 December 2017: HK\$750 million);
- (ii) pledge of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$1,564 million (31 December 2017: HK\$1,456 million);
- (iii) pledge of certain of the Group's stock of properties held for sale situated in Hong Kong, which had an aggregate carrying amount at end of the reporting period of approximately HK\$290 million (31 December 2017: HK\$274 million);
- (iv) pledge of certain inventories of the Group, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$6 million (31 December 2017: HK\$6 million); and
- (v) pledge of certain time deposits of the Group with an aggregate amount of HK\$52 million (31 December 2017:HK\$28 million).



## 18. OPERATING LEASE ARRANGEMENTS

### As lessor

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

At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

HK\$ million	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Within one year	<b>12</b>	7
In the second to fifth years, inclusive	<b>10</b>	1
	<b>22</b>	8

### As lessee

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

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK\$ million	<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
Within one year	<b>31</b>	29
In the second to fifth years, inclusive	<b>79</b>	89
	<b>110</b>	118

## 19. COMMITMENTS

As at 30 June 2018, capital commitment of the Group amounted to HK\$33 million (31 December 2017: HK\$102 million). The capital commitment will be funded partly by internal resources and partly by bank borrowings.



## 20. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2018, the Company held indirectly 14,000,000,000 shares of CCT Land, representing approximately 10.43% of the total number of issued shares of CCT Land. In addition, the Company held the convertible bonds of CCT Land with the principal amount of HK\$495,671,000 convertible into 49,567,100,000 shares in CCT Land. As at 30 June 2018, the Company was interested in 63,567,100,000 shares and underlying shares of CCT Land, representing approximately 34.58% of the total number of issued shares of CCT Land as enlarged by the shares to be issued upon conversion of the aforesaid convertible bonds of CCT Land. As such, the Company is a substantial shareholder of CCT Land and it is regarded as a related party of the Company. During the six-month period ended 30 June 2018, the Group had conducted the following related party transactions with (i) the CCT Land Group; and (ii) Mr. Mak and private companies controlled by him:

HK\$ million	Notes	Six months ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)
(1) With the CCT Land Group:			
Sales of components	(i)	22	31
Rental expense	(ii)	–	3
Rental income	(iii)	1	1
Management information system service fees	(iv)	3	3
Purchase of child products	(v)	72	82
(2) With Mr. Mak and private companies controlled by him:			
Interest expense on the 2024 Convertible Bonds	(vi)	7	7
Rental income on investment properties	(vii)	3	3
(3) With key management of the Group:			
Office rental income from a company controlled by a key management personnel of the Group	(viii)	–*	–

\* less than HK\$1 million



## 20. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

- (i) The components were sold by a wholly-owned subsidiary of the Company to the CCT Land Group, based on the terms and conditions of a manufacturing agreement dated 9 November 2015 (the "**Component Manufacturing Agreement**") entered into between the Company and CCT Land. Pursuant to the Component Manufacturing Agreement which has a term of three years from 1 January 2016 to 31 December 2018, the Company agreed to manufacture and supply through the Group of plastic casings, components and any other component products and toolings for the CCT Land Group. The selling prices of plastic casings, components and any other component products were determined based on direct material costs plus a mark-up of no more than 250%. The tooling charges were determined based on the total costs plus a mark-up of no more than 50%.
- (ii) The rental expenses was charged to Shine Best Developments Limited ("**Shine Best**"), an indirect wholly-owned subsidiary of the Company, by CCT Enterprise Limited ("**CCT Enterprise**"), a former indirect wholly-owned subsidiary of CCT Land, for the period from 1 January 2017 to 11 August 2017 (2016: for the year ended 31 December 2016), in respect of the provision of factory space in Huiyang City, Guangdong Province, the PRC, at a rent determined in accordance with the terms and conditions set out in a tenancy agreement dated 10 December 2014 entered into between Shine Best and CCT Enterprise. The tenancy agreement had a lease term of three years from 1 January 2015 to 31 December 2017. Following completion of the deemed disposal of CCT Enterprise by CCT Land to an independent third party on 11 August 2017, CCT Enterprise ceased to be a subsidiary of CCT Land and as such, the lease of the factory between CCT Enterprise and Shine Best no longer constitutes a related party transaction of the Company.
- (iii) The rental income was charged to CCT Land by Goldbay Investments Limited ("**Goldbay**"), an indirect wholly-owned subsidiary of the Company, in respect of the provision of office space in Hong Kong, at a rent determined in accordance with the terms and conditions set out in the tenancy agreement dated 6 December 2017 entered into between the CCT Land and Goldbay, which had a term of three years from 1 January 2018 to 31 December 2020.
- (iv) The management information system service fee was charged by CCT Land to the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2017 entered into between the Company and CCT Land, which has a term of three years from 1 January 2018 to 31 December 2020.



## 20. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

- (v) This represents transaction amount for the supply of feeding, health care, hygiene, safety, toy and other related products for infants and babies which were supplied by the CCT Land Group to the Group during the six months ended 30 June 2018, based on the agreements set out below. On 3 August 2016, CCT Tech Global Holdings Limited ("**CCT Global**"), a wholly-owned subsidiary of CCT Land entered into a manufacturing agreement (the "**Child Products Manufacturing Agreement**") with the Company, which has a term from 14 October 2016 to 31 December 2018. The pricing terms of the Child Products Manufacturing Agreement were amended and supplemented by the first supplemental manufacturing agreement dated 31 August 2016, the second supplemental manufacturing agreement dated 14 September 2016 and the third supplemental manufacturing agreement dated 4 October 2016 (collectively as the "**Supplemental Manufacturing Agreements**"). In accordance with the terms and conditions of the Child Products Manufacturing Agreement (as amended and supplemented by the Supplemental Manufacturing Agreements), the price of the child products to be supplied by the CCT Land Group to the Group would be the higher of the sum of the direct material costs plus a mark-up of no more than 250% of the direct material costs and the selling prices that the Company sells to independent third parties less a discount of up to 10%.
- (vi) On 27 January 2016, the Company entered into the sale and purchase agreement with Mr. Mak to acquire all the issued shares of the property companies from Mr. Mak and the shareholder's loans then due to Mr. Mak by the property companies for the share consideration of approximately HK\$250 million (the "**Share Consideration**") and the cash consideration of approximately HK\$29 million, respectively. The aforesaid acquisition constituted non-exempted connected transaction for the Company under the Listing Rules. The Share Consideration was satisfied by the issue of the 2024 Convertible Bonds. During the period ended 30 June 2018, total interest of HK\$7 million was paid by the Company on the 2024 Convertible Bonds, to Capital Force and New Capital.
- (vii) On 30 March 2016, two indirect wholly-owned subsidiaries of the Company entered into the tenancy agreements with Mr. Mak to lease the properties at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak for a rental period from 30 March 2016 to 31 December 2017 at a monthly rental (inclusive of management fee and government rent and rates) of HK\$270,000 and HK\$260,000, respectively. The rental was determined based on market rental. The tenancy agreements were renewed on 6 December 2017 for another lease term of three years from 1 January 2018 to 31 December 2020, at the same rental and with similar terms and conditions as the previous tenancy agreements. The rental transactions constitute non-exempted continuing connected transactions for the Company under the Listing Rules.



## 20. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: *(continued)*

- (viii) The rental income was charged to Silly Thing Company Limited ("**Silly Thing**"), a company controlled by Mr. Mak Chun Kiu, son of Mr. Mak, by Cyber Profit (HK) Limited ("**Cyber Profit**"), an indirect wholly-owned subsidiary of the Company, in respect of the re-lease of property, at rental determined in accordance with the terms and conditions set out in a tenancy agreement dated 19 June 2014 entered into between Cyber Profit and Silly Thing, which has a rental period of three years from 19 June 2014 to 18 June 2017. The tenancy agreement was renewed on 19 June 2017 by a new agreement for a term of three years from 19 June 2017 to 18 June 2020. The terms and conditions of the renewed agreement are similar to the previous agreement. The rental income received from Silly Thing constituted exempted continuing connected transaction for the Company under the Listing Rules.
- (ix) The Company has complied with the relevant requirements under the Listing Rules in respect of the non-exempted connected transaction and continuing connected transactions set out in notes (vi) and (vii) above.

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

HK\$ million	<b>Six months ended 30 June</b>	
	<b>2018</b> <b>(Unaudited)</b>	2017 (Unaudited)
Short term employee benefits	<b>12</b>	19

(c) The Company has provided corporate guarantee of total amount of HK\$53 million as at 30 June 2018 to a bank in relation to certain banking facilities granted by the bank to the CCT Land Group.

## 21. APPROVAL OF THE INTERIM REPORT

This interim report was approved by the Board on 30 August 2018.





# disclosure of interests

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

As at 30 June 2018, the Directors and chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company:

### Interests and short positions in the Shares and the underlying Shares as at 30 June 2018

(i) *Long positions in the Shares:*

Name of the Director	Number of the Shares interested and nature of interests		Total interests	Approximate percentage of the total number of issued Shares
	Personal interests	Corporate interests		
Mak Shiu Tong, Clement (" <b>Mr. Mak</b> ")	18,099,652	446,025,079 (Note)	464,124,731	53.02

\* The percentage was calculated based on 875,381,452 Shares in issue as at 30 June 2018.

Note: Of the shareholding in which Mr. Mak was interested, an aggregate of 446,025,079 Shares were held by Capital Force, New Capital and Capital Winner, all of which are private corporations wholly-owned by Mr. Mak beneficially and their respective interests in such Shares have also been stated in the sub-section headed "(i) Long positions in the Shares" under the section headed "Substantial Shareholders' Interests" on page 49 of this interim report. Mr. Mak is deemed to be interested in 446,025,079 Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force, New Capital and Capital Winner.



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

(continued)

### Interests and short positions in the Shares and the underlying Shares as at 30 June 2018

(continued)

(ii) Long positions in the underlying Shares of the 2024 Convertible Bonds issued by the Company:

Name of the Director	Number of the underlying Shares interested and nature of interests		Total interests	Approximate percentage of the total number of issued Shares (%) <sup>*</sup>
	Personal interests	Corporate interests		
Mak Shiu Tong, Clement	–	333,600,000 (Note)	333,600,000	38.11

\* The percentage was calculated based on 875,381,452 Shares in issue as at 30 June 2018.

Note: The interest disclosed represented 333,600,000 underlying Shares at the existing conversion price of HK\$0.75 per conversion share (subject to adjustments pursuant to the terms and conditions of the convertible bonds) in respect of the 2024 Convertible Bonds issued by the Company to Capital Force and New Capital. Their respective interests in such underlying Shares have also been stated in the sub-section headed "(ii) Long positions in the underlying Shares of the 2024 Convertible Bonds issued by the Company" under the section headed "Substantial Shareholders' Interests" on page 50 of this interim report. Mr. Mak is deemed to be interested in such underlying Shares under the SFO as he controls the exercise of all the voting power at general meetings of Capital Force and New Capital.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, at no time during the period for the six months ended 30 June 2018 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, the following persons (not being the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### Interests and short positions in the Shares and the underlying Shares as at 30 June 2018

(i) *Long positions in the Shares:*

Name of the Shareholders	Capacity	Number of the Shares held	Approximate percentage of the total number of issued Shares
			(%)*
Capital Force (Note)	Beneficial owner	96,868,792	11.07
New Capital (Note)	Beneficial owner	171,357,615	19.58
Capital Winner (Note)	Beneficial owner	177,798,672	20.31

\* The percentage was calculated based on 875,381,452 Shares in issue as at 30 June 2018.

Note: Capital Force, New Capital and Capital Winner are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially, whose interest in such Shares has also been stated in the sub-section headed "(i) Long positions in the Shares" under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" on page 47 of this interim report.



**SUBSTANTIAL SHAREHOLDERS' INTERESTS** *(continued)*
**Interests and short positions in the Shares and the underlying Shares as at 30 June 2018**  
*(continued)*

(ii) *Long positions in the underlying Shares of the 2024 Convertible Bonds issued by the Company:*

Name of the Shareholders	Capacity	Number of the underlying Shares interested	Approximate percentage of the total number of issued Shares
			(%)*
Capital Force (Note)	Beneficial owner	240,000,000	27.41
New Capital (Note)	Beneficial owner	93,600,000	10.69

\* The percentage was calculated based on 875,381,452 Shares in issue as at 30 June 2018.

Note: Capital Force and New Capital are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially, whose interest in such underlying Shares has also been stated in the sub-section headed "(ii) Long positions in the underlying Shares of the 2024 Convertible Bonds issued by the Company" under the section headed "Directors' and Chief Executive's Interests in Shares and Underlying Shares" on page 48 of this interim report.

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

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2018, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange 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.



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# share option scheme

## SHARE OPTION SCHEME

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

As at 30 June 2018, there was no share option outstanding under the 2011 Scheme. No share option was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the period for the six months ended 30 June 2018.



## other information

### **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares during the period for the six months ended 30 June 2018.

### **CORPORATE GOVERNANCE**

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

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the period from 1 January 2018 to 30 June 2018, except for the minor deviations from the following Code Provisions of the CG Code:

#### ***Code Provision A.2.1***

Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 during the six months ended 30 June 2018.

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



## **CORPORATE GOVERNANCE** *(continued)*

### **Code Provision A.4.2**

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

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

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2017 Annual Report of the Company issued in April 2018.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the six months ended 30 June 2018.

### **REVIEW OF INTERIM REPORT**

The Group's interim report including the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 has been reviewed by the Audit Committee.

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

Mr. Tam Ngai Hung resigned as the company secretary of CCT Land on 28 June 2018.



# corporate information

## BOARD AND COMMITTEES OF THE BOARD

### Executive Directors

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

Tam Ngai Hung, Terry (*Deputy Chairman*)

Cheng Yuk Ching, Flora

### Independent Non-executive Directors

Tam King Ching, Kenny

Chen Li

Chow Siu Ngor

### Audit Committee

Tam King Ching, Kenny (*Chairman*)

Chen Li

Chow Siu Ngor

### Remuneration Committee

Chow Siu Ngor (*Chairman*)

Tam King Ching, Kenny

Chen Li

Mak Shiu Tong, Clement

Tam Ngai Hung, Terry

### Nomination Committee

Mak Shiu Tong, Clement (*Chairman*)

Tam Ngai Hung, Terry

Tam King Ching, Kenny

Chen Li

Chow Siu Ngor

### Company Secretary

Tam Ngai Hung, Terry





# glossary of terms

## GENERAL TERMS

"2011 Scheme"	The share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"2018 Convertible Bonds"	The 1.5% coupon convertible bonds with the aggregate principal amount of HK\$100,000,000 issued by the Company to Top Pride Limited on 3 June 2016 pursuant to the terms and conditions of the subscription agreement
"2024 Convertible Bonds"	The 5% coupon convertible bonds with the aggregate principal amount of HK\$250,200,000 issued by the Company to Capital Force and New Capital on 30 March 2016 pursuant to the terms and conditions of the Sale and Purchase Agreement
"AGM"	Annual general meeting
"Audit Committee"	The audit committee of the Company
"Blackbird Concessionaires"	Blackbird Concessionaires Limited, a company incorporated in Hong Kong with limited liability being a wholly-owned subsidiary of the Company under the Blackbird Group
"Blackbird" or "Blackbird Group"	The Blackbird group established by the Company, which is engaged in the multi-faceted automotive business, investment and trading in time pieces and other fast-growing business ventures
"Board"	The board of Directors
"Capital Force"	Capital Force International Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"Capital Winner"	Capital Winner Investments Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
"CCT Land"	CCT Land Holdings Limited, a company listed on the Main Board of the Stock Exchange






“CCT Land Group”	CCT Land and its subsidiaries, from time to time
“CEO”	The chief executive officer of the Company
“CG Code”	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	The chairman of the Company
“Child Products”	Feeding, health care, hygiene, safety, toy and other related products for infants and babies, which are the child products currently traded by the Group
“Child Products Trading Business”	The business of trading and sale of the Child Products currently engaged by the Group
“China” or “PRC”	The People’s Republic of China
“Company”	CCT Fortis Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	The director(s) of the Company
“Group”	The Company and its subsidiaries, from time to time
“HK” or “Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Industrial Group”	An operating group of the Company, which is engaged in the manufacturing and sale of plastic components and the Child Products Trading Business
“INED(s)”	Independent non-executive Director(s)
“Listing Committee”	The listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange



“Mainland China”	The mainland of the PRC
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Mr. Mak”	Mr. Mak Shiu Tong, Clement, an executive Director, Chairman, CEO and the controlling shareholder of the Company
“N/A”	Not applicable
“New Capital”	New Capital Industrial Limited, a company incorporated in the British Virgin Islands, the shares in which are wholly-owned by Mr. Mak
“Nomination Committee”	The nomination committee of the Company
“Remuneration Committee”	The remuneration committee of the Company
“Sale and Purchase Agreement”	The agreement dated 27 January 2016 (as amended by the supplemental agreement dated 17 February 2016) entered into between Mr. Mak as vendor and the Company as purchaser in respect of acquisition from Mr. Mak of the entire issued share capital of the companies which hold the properties at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	The ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US” or “USA”	The United States of America
“USD”	United States dollar(s), the lawful currency of the US
“%”	Per cent.



## FINANCIAL TERMS



“current ratio”	Current assets divided by current liabilities
“earnings per share”	Profit attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
“gearing ratio”	Total borrowings (representing bank and other borrowings and finance lease payable) divided by total capital employed (i.e. total Shareholders’ fund plus total borrowings)
“operating profit/(loss)”	Operating profit/(loss) before finance costs and taxation for revaluation of performance of business segments
“1H17”	First half of 2017
“1H18”	First half of 2018





