CCT FORTIS

中建富通集團有限公司

Stock Code : 138

2020

contents

chairman's statement

On behalf of the Board, I report the interim results of the Group for the six months ended 30 June 2020.

ADVERSE OPERATING ENVIRONMENT

The first six months of 2020 have been one of the most difficult periods in the history of the Company. As a result of the combined effect of a number of global and local political, economic, and health events which are beyond our control, the operating environment of the Group in the first half of 2020 has worsen. These events include:

(a) the coronavirus pandemic;
(b) the escalating tensions between the USA and the PRC; and
(c) the global economic downturn.

Given the adverse business environment, for the first half of 2020, the Company recorded a net loss attributable to owners of the parent of HK$260 million, as opposed to a net profit of HK$3 million for last year's first half. The current period's reported loss was mainly attributable to unrealised revaluation losses of the Company's property portfolio and collectible assets portfolio and operating losses arising from the significant reduction of the Company's revenue.

INTERIM DIVIDEND

In view of current difficult situation, the Group intends to conserve cash resources to combat the future challenges. Therefore, the Board did not recommend the payment of interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

BUSINESS REVIEW

During the six months ended 30 June 2020, the Group was principally engaged in: (i) property investment; (ii) securities business; (iii) Blackbird Group's multi-faceted automotive business; (iv) investment in collectible precision devices; (v) cultural entertainment business; and (vi) Industrial Product Business. In the first half of 2020, our principal businesses were heavily impacted by the deteriorating operating environment.

PROPERTY BUSINESS

Hong Kong Property Business

The COVID-19 pandemic has caused serious disruption for economic and social activities in the world. This global health crisis has already given rise to a negative impact to the property market in Hong Kong and caused both property prices and transaction volume to fall in the first six months of 2020.

At the beginning of 2020, we have decided to change our intention with regard to the use of our retail properties in Causeway Bay, representing the two consecutive floors at No. 8 Russell Street, which were originally held by the Company for trading purpose. The Russell Street properties have been reclassified as investment properties since 1 January 2020 as we have decided to hold the properties for long term to generate rental income. Therefore, the Company does not have any properties held for trading any more.

In the first six months of 2020, our property business recorded an operating loss of HK$92 million, as compared with an operating profit of HK$53 million for the last corresponding period. The current period's operating loss was primarily attributable to the unrealised revaluation losses of our investment properties in the amount of HK$94 million whereas, unrealised fair value gains of HK$46 million were recognised for last year's corresponding period.

Mainland Property Business

In the first half of 2020, the property project in Xinjiang was negatively impacted by the coronavirus outbreak and as a result the Xinjiang joint venture recorded a loss in the current period. In the months of July and August 2020, there was rebound in coronavirus infection in Xinjiang and this may give rise to further negative impact to the operations of the joint venture in the second half of the year. Under such circumstances, it is uncertain when the property market in Xinjiang will recover.

SECURITIES BUSINESS

The stock market was extremely volatile in the six months ended 30 June 2020, as a result of the coronavirus outbreak and the intensifying tensions between the world's two largest economic superpowers, the USA and China. In order to reduce risk and to conserve cash, we did not trade in other listed shares as we continued to focus our securities investment on approximately 53.7 billion GBA Shares (31 December 2019: 53.7 billion GBA Shares), representing approximately 29.2% (31 December 2019: 29.2%) of the total number of issued GBA Shares as at 30 June 2020. The share price of GBA Shares was stable in the period under review, despite high volatility of the overall stock market. The fair value of our holdings of 53.7 billion GBA Shares was approximately HK$537 million (31 December 2019: HK$537 million), calculated at the closing price of HK$0.01 per share (31 December 2019: HK$0.01 per share) as at the period end date, representing approximately 10.4% of the Group's total assets as at 30 June 2020 (31 December 2019: 9.9%).

During the period under review, we did not buy or sell any GBA Shares and did not receive any dividend or income from our securities investment. Our securities business recorded operating loss of less than HK$1 million in the first half of the current year, same as last year's first half.

BLACKBIRD GROUP

The Blackbird Group, under the leadership of its chief executive officer, Mr. TK Mak, is principally engaged in: (i) the official dealership of Ferrari in Hong Kong and Macau, including the repair and servicing business; (ii) a classic car trading and investment business; and (iii) a car logistics business.

Ferrari Dealership Business

June 2020 marked the third-year anniversary of Blackbird Concessionaires' appointment as Hong Kong and Macau's official Ferrari dealership. During the period under review, Ferrari's new model launch programme continued and Blackbird was pleased to present three new cars to clients in the first half year. These were the convertible 812 GTS and F8 Spider, and the Roma. Whilst the F8 Spider is the successor to the 488 Spider, the 812 GTS and Roma are brand new models.

A combined launch was arranged in February for the 812 GTS and F8 Spider. This consisted of a series of private viewings for clients over seven days in the Company's showroom. The Roma launch event took place at the world famous Peninsula Hotel in June and was supported by a specially commissioned set of three movies shot by the company's creative team. As a result of these activities, we received very strong support from our customers and achieved many new car sales orders within a short period of time after each activity. The Roma proved to be especially popular in view of its combination of attractive styling, practicality and pricing.

Deliveries of new cars was slower during the first half of the year, as production in Italy was affected by the coronavirus outbreak. Nevertheless, the balance of the company's remaining allocation of 488 Pista and Pista Spiders arrived in Hong Kong, together with the first of the new F8 Tributos. In addition, deliveries of the Limited Series Ferrari Monzas continued. Furthermore, sales of pre-owned cars increased during the period, despite COVID-19 restrictions.

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

Classic Car Trading and Investment Business

During the half year ended 30 June 2020, the classic car market continued to be affected by the global economic slowdown due to the COVID-19 pandemic, and the increasing trade tensions between the USA and China. However, the management remains cautiously optimistic regarding the long-term outlook of the classic car market.

Car Logistics Business

The Company's logistics business has performed well during the year to date with a satisfactory operating margin. Continuing its expansion programme, new contracts were achieved with a number of significant automotive clients in Hong Kong, with further opportunities under discussion. In addition, work continued in support of local importers, distributors, dealers, roadside assistance and insurance companies, racing organisations and private owners.

INVESTMENT AND TRADING OF COLLECTIBLE PRECISION DEVICES

The first half of 2020 came with its challenges for the collectible precision device business unit, as it did for the wider economic environment. However, the period was used effectively to consolidate efforts for a second thematic auction with Phillips auction house to take place in late 2020. The second auction is expected to generate additional income for the division, and enhance profile for the Blackbird Group as well as its founder, Mr. TK Mak who sits on the Phillips Watches Advisory Board. In addition to the auction project, groundwork has been laid to collaborate with a luxury brand on market intelligence that will likely come to fruition later this year. Transactions for collectible precision devices was static for the current period due to prevailing market conditions.

CULTURAL ENTERTAINMENT BUSINESS

Our cultural entertainment business comprises film operations, stage audio, lighting and engineering operations and artist management. This business division has entered into severe winter during the coronavirus pandemic.

Film Operations

Our entertainment company has invested together with other companies in a large scale crime thriller film entitled "Sons of the Neon Night" (風林火山). Shooting of this movie has already completed but post-production work has been delayed by the coronavirus outbreak. Furthermore, cinemas in China and many other countries in the world were shut down during most of the times in the first half of 2020, due to the coronavirus outbreak. Although China has gradually opened its cinemas recently, preventive measures are imposed in order to control spread of the coronavirus and these measures would reduce box receipts. Under such circumstances, public release of the aforesaid film will be deferred as a result of the pandemic.

Stage Audio, Lighting and Engineering Operations

There were very few concerts, shows, and entertainment events performed in the first six months of 2020, due to the measures imposed by the Hong Kong Government to restrict economic and social activities and cross-border travel with a view to control transmission of the COVID-19. Given the adverse situation, the stage audio, lighting and engineering segment recorded its worst results since acquisition as its revenue plummeted by 85.3% and an operating loss in the amount of HK$21 million was recorded in the period under review. To combat the difficulties and challenges, the management of this business segment has taken various steps including cost reductions, obtained subsidies from government and support from banks. Furthermore, after the period end, an agreement was entered into to dispose of the stage audio and lighting business in Macau (details of which is set out in note 20 to the financial statements of this interim report) so that the management can focus on the stage service operations mainly in Hong Kong. It is expected that these steps will enable this segment to overcome the difficulties caused by the coronavirus pandemic.

Artist Management

The entertainment sector in Hong Kong and China drew to a near total halt during the COVID-19 outbreak. Despite the current tough circumstances, the artist management segment continued to maintain a break-even position, reflecting effective cost control measures.

INDUSTRIAL PRODUCT BUSINESS

The Industrial Product Business have been adversely impacted by the combined effect of keen competition, the escalating trade tensions between the USA and China, the global economic downturn and coronavirus outbreak. As a result of the deteriorating operating environment, revenue of the Industrial Product Business continued to fall significantly in the six months ended 30 June 2020. No new orders have been received for a few months and there is no outstanding order on hand for this business segment. It is uncertain when the global consumer market will recover. Under such circumstances, the Company has decided to terminate the Industrial Product Business with effect from 24 July 2020. As the Industrial Product Business are in a loss position, it is expected that the termination of the Industrial Product Business will not have any significant adverse impact on the operating results or financial position of the Group.

OUTLOOK

The global economic outlook remains highly uncertain and will continue to be influenced by the path and economic impacts of the COVID-19 pandemic, the protracted trade war between the USA and China and geopolitical challenges. Given all these unprecedented challenges, it is difficult to predict when the global economy will recover and when the current difficult situation will improve.

In the existing difficult times, we will conserve our cash and continue our on-going cost savings initiatives. We will retain our strength and lay the groundwork for the recovery to come. With our resilient management, we consider that we can withstand the impact caused by these unprecedented challenges.

APPRECIATION

On behalf of the Board, I wish to thank the directors, the management and all our employees for their dedication, loyalty, and hard work to meet the challenges during the period. I also want to thank our shareholders, investors, bankers, customers, suppliers and landlords for their continued encouragement and strong support to the Company throughout these unprecedented times.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 28 August 2020

financial review

OVERVIEW OF FIRST HALF OF 2020 FINANCIAL RESULTS

HK$ million	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)	% increase/ (decrease)
Revenue	**204**	540	(62.2%)
Loss before tax	**(267)**	(9)	2,866.7%
Tax credit	**–**	14	N/A
(Loss)/profit for the period	**(267)**	5	N/A
(Loss)/profit attributable to			
— Owners of the parent	**(260)**	3	N/A
— Non-controlling interests	**(7)**	2	N/A
(Loss)/profit for the period	**(267)**	5	N/A
(Losses)/earnings per share attributable to ordinary equity holder of the parent			
— Basic	**(HK$0.298)**	HK$0.003	N/A
— Diluted	**(HK$0.298)**	HK$0.003	N/A
Dividend per share	**–**	–	N/A

Review on Financial Results

The Group's revenue for 1H20 of HK$204 million was HK$336 million or 62.2% lower than 1H19, reflecting the impact of adverse operating environment.

In 1H20, the Company recorded a net loss attributable to owners of the parent of HK$260 million as opposed to a net profit attributable to owners of the parent of HK$3 million in 1H19. The current period's loss arose mainly as a result of significant decrease in revenue and the unrealised revaluation losses in the total amount of HK$119 million arising from fair value changes of the Group's property portfolio and collectible assets portfolio.

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

ANALYSIS BY BUSINESS SEGMENT

	Revenue for the six months ended 30 June				
	2020		2019		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Property development and trading	**–**	**0.0%**	2	0.4%	(100.0%)
Property investment and holding	**7**	**3.4%**	6	1.1%	16.7%
Securities business	**–**	**0.0%**	–	0.0%	N/A
Ferrari dealership	**145**	**71.1%**	320	59.3%	(54.7%)
Classic car trading and logistic business	**12**	**5.9%**	12	2.2%	–
Investment in classic cars	**–**	**0.0%**	8	1.5%	(100.0%)
Film operations	**–**	**0.0%**	–	0.0%	N/A
Stage audio, lighting and engineering operations	**14**	**6.9%**	95	17.6%	(85.3%)
Industrial Product Business	**11**	**5.4%**	65	12.0%	(83.1%)
Other operations	**15**	**7.3%**	32	5.9%	(53.1%)
Total	**204**	**100.0%**	540	100.0%	(62.2%)

	Operating profit/(loss) for the six months ended 30 June		
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)	% increase/ (decrease)
Property development and trading	**–**	2	(100.0%)
Property investment and holding	**(92)**	51	N/A
Securities business	**–***	–*	Not computed
Ferrari dealership	**(20)**	10	N/A
Classic car trading and logistic business	**(3)**	5	N/A
Investment in classic cars	**(9)**	9	N/A
Film operations	**(4)**	–*	Not computed
Stage audio, lighting and engineering operations	**(21)**	5	N/A
Industrial Product Business	**(2)**	–*	Not computed
Other operations	**(41)**	(31)	32.2%
Total	**(192)**	51	N/A

* Less than HK$1 million operating loss

Property development and trading

As the Company has reclassified its Russell Street properties from properties held for trading to the investment properties since the start of 2020, there was no revenue or financial result attributable to the property development and trading segment in 1H20. In 1H19, this segment recorded an operating profit of HK$2 million against revenue of HK$2 million.

Property investment and holding

In 1H20, the property investment segment recorded an operating loss of HK$92 million, primarily from unrealised fair value losses on our investment property portfolio in the amount of HK$94 million. By contrast, in 1H19, this segment recorded an operating profit of HK$51 million, largely attributable to unrealised fair value gains of our investment properties in the amount of HK$46 million.

Securities business

In 1H20 and 1H19, we did not trade on the stock market and therefore our securities business did not have any revenue. This business segment recorded a loss of less than HK$1 million during the current period as well as the same period last year. In 1H20, we focused our financial investment in GBA Shares, whose price was stable during the period.

Ferrari dealership

In 1H20, the dealership business recorded revenue of HK$145 million, fell by 54.7%, primarily from reduced sales of new cars due to the negative impacts of the COVID-19 pandemic. However, the Ferrari service center in Kwai Chung continued to perform well and recorded a modest increase in service revenue during the pandemic. The dealership business recorded an operating loss of HK$20 million in 1H20 as opposed to an operating profit of HK$10 million in 1H19, primarily due to significant decrease in revenue.

Classic car trading and logistic business and investment in classic cars

Given the current difficult times, the classic car trading and investment segments incurred an operating loss of HK$12 million (1H19: operating profit of HK$14 million) against revenue of HK$12 million (1H19: HK$20 million). The current period's operating loss was mainly driven by the revaluation losses in the amount of HK$9 million (1H19: fair value gains of HK$8 million) from fair value change on our collection of classic cars held for investment.

Film operations

No revenue was recorded from our film operations in both 1H20 and 1H19 as no film was released during the periods. The film segment recorded an operating loss of HK$4 million in 1H20 (1H19: operating loss of less than HK$1 million).

Stage audio, lighting and engineering operations

This business segment recorded total revenue of HK$14 million, represented 85.3% decrease from HK$95 million in 1H19. Operating loss was HK$21 million (1H19: operating profit of HK$5 million), led by the significant reduction of revenue, primarily due to adverse impacts from the coronavirus outbreak.

Industrial Product Business

The revenue of the Industrial Product Business of HK$11 million in 1H20, was 83.1% lower than 1H19, reflecting the negative impacts of the worsening operating environment. Operating loss was HK$2 million (1H19: operating loss of less than HK$1 million).

Other operations

Other operations comprise the classic car services center, the multimedia business, investment and trading of collectible precision devices, artist management and other new ventures which are in the development and start-up stage. The other operations' revenue fell by 53.1% to HK$15 million in 1H20. This segment recorded an operating loss of HK$41 million, increased by 32.2% from HK$31 million in 1H19. The increase in loss was mainly attributable to decrease in revenue and the revaluation loss of our collectible precision devices held for investment.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue for the six months ended 30 June				
	2020		2019		
HK$ million	**Amount (Unaudited)**	**Relative %**	Amount (Unaudited)	Relative %	% increase/ (decrease)
Hong Kong, Macau and Mainland China	**197**	**96.6%**	487	90.2%	(59.5%)
Rest of the world	**7**	**3.4%**	53	9.8%	(86.8%)
Total	**204**	**100.0%**	540	100.0%	(62.2%)

Most of the Group's revenue was generated in Hong Kong, Macau and Mainland China. The revenue from these regions of HK$197 million was HK$290 million or 59.5% lower than 1H19, The revenue from rest of the world decreased by 86.8% mainly due to decrease in sales of the Child Products Trading Business to the regions.

CAPITAL STRUCTURE AND GEARING RATIO

HK$ million	30 June 2020 Amount (Unaudited)	30 June 2020 Relative %	31 December 2019 Amount (Audited)	31 December 2019 Relative %
Bank borrowings	**1,612**	**37.7%**	1,600	35.1%
Other borrowings	**36**	**0.8%**	53	1.2%
Lease liabilities/finance lease payable	**72**	**1.7%**	87	1.9%
Total borrowings	**1,720**	**40.2%**	1,740	38.2%
Equity	**2,554**	**59.8%**	2,814	61.8%
Total capital employed	**4,274**	**100.0%**	4,554	100.0%

The Group's gearing ratio was 40.2% as at 30 June 2020, marginally higher than the gearing ratio of 38.2% as at 31 December 2019. The Company continued to maintain a reasonable gearing ratio in difficult times.

Total outstanding bank and other borrowings amounted to HK$1,720 million as at 30 June 2020 (31 December 2019: HK$1,740 million). Most of the Group's bank and other borrowings are long-term bank loans.

As at 30 June 2020, 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$322 million, HK$1,018 million and HK$380 million, respectively (31 December 2019: HK$317 million, HK$1,022 million and HK$401 million, respectively). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Current assets	**1,744**	2,089
Current liabilities	**925**	929
Net current assets	**819**	1,160
Current ratio	**188.5%**	224.9%

The Group's current ratio was 188.5% as at 30 June 2020 (31 December 2019: 224.9%), reflecting a high liquidity of the Group's financial position. The position of working capital representing by net current assets was HK$819 million as at 30 June 2020, representing a decrease of 29.4% from last year end, mainly due to reclassification of the properties held for sale from current assets to investment properties under the non-current asset category.

As at 30 June 2020, the Group's cash balance was HK$115 million (31 December 2019: HK$149 million), of which HK$34 million (31 December 2019: HK$78 million) was pledged to secure banking facilities. In view of the Group's current cash position and the banking facilities available, the Group has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 30 June 2020, capital commitment of the Group amounted to approximately HK$4 million (31 December 2019: HK$6 million). The Group intends to finance the capital commitment by internal resources.

TREASURY MANAGEMENT

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

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group did not have any significant interest rate risk in 1H20 as the interest rates currently remain at low level.

The Group did not have any significant exchange risk in 1H20. 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

Detail of charges on assets are stated in note 16 to the financial statements of this interim report.

CONTINGENT LIABILITIES

Detail of the contingent liabilities are stated in note 15 to the financial statements of this interim report.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2020 was 318 (31 December 2019: 320). 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 persons of the Group. At 30 June 2020, there were no outstanding share options issued by the Company (31 December 2019: nil).

interim results

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

		Six months ended 30 June	
HK$ million	Notes	**2020 (Unaudited)**	2019 (Unaudited)
REVENUE	3	**204**	540
Cost of sales		**(174)**	(440)
Gross profit		**30**	100
Other income and gains		**8**	67
Selling and distribution expenses		**(5)**	(6)
Administrative expenses		**(119)**	(130)
Other expenses and losses		**(120)**	–
Finance costs		**(44)**	(46)
Share of (losses)/profits of a joint venture		**(17)**	8
Share of losses of an associate		**–***	(2)
LOSS BEFORE TAX	5	**(267)**	(9)
Tax credit	6	**–**	14
(LOSS)/PROFIT FOR THE PERIOD		**(267)**	5
Attributable to:			
Owners of the parent		**(260)**	3
Non-controlling interests		**(7)**	2
		(267)	5
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic		**(HK$0.298)**	HK$0.003
— Diluted		**(HK$0.298)**	HK$0.003

* Less than HK$1 million

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

HK$ million	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(267)**	5
Attributable to:		
Owners of the parent	**(260)**	3
Non-controlling interests	**(7)**	2
	(267)	5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

HK$ million	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	**825**	870
Investment properties		**1,625**	1,482
Goodwill		**103**	103
Intangible assets		**14**	17
Interest in a joint venture		**590**	607
Interest in an associate		**2**	2
Classic cars held for investment		**98**	107
Collectible precision devices held for investment		**155**	171
Other receivables and other assets		**–**	2
Total non-current assets		**3,412**	3,361
CURRENT ASSETS			
Inventories		**159**	164
Stock of properties held for sale		**–**	237
Stock of classic cars held for sale		**89**	89
Trade receivables	10	**264**	283
Investment in films		**80**	86
Prepayments, other receivables and other assets		**492**	536
Financial assets at fair value through profit or loss	11	**545**	545
Pledged time deposits		**34**	78
Cash and cash equivalents		**81**	71
Total current assets		**1,744**	2,089
TOTAL ASSETS		**5,156**	5,450

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
30 June 2020

HK$ million	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	14	**87**	87
Reserves		**2,467**	2,727
		2,554	2,814
Non-controlling interest		**13**	20
Total equity		**2,567**	2,834
NON-CURRENT LIABILITIES			
Bank and other borrowings		**1,398**	1,423
Convertible bonds	13	**239**	237
Deferred tax liabilities		**27**	27
Total non-current liabilities		**1,664**	1,687
Current liabilities			
Trade payables	12	**50**	63
Tax payable		**3**	3
Other payables and accruals		**550**	546
Bank and other borrowings		**322**	317
Total current liabilities		**925**	929
Total liabilities		**2,589**	2,616
Total equity and liabilities		**5,156**	5,450
Net current assets		**819**	1,160
Total assets less current liabilities		**4,231**	4,521

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

HK$ million	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Distributable reserve (Unaudited)	Equity component of convertible bonds (Unaudited)	Asset revaluation reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Capital redemption reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
At 1 January 2020	**87**	**223**	**741**	**841**	**22**	**36**	**23**	**24**	**817**	**2,814**	**20**	**2,834**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(260)**	**(260)**	**(7)**	**(267)**
At 30 June 2020	**87**	**223**	**741**	**841**	**22**	**36**	**23**	**24**	**557**	**2,554**	**13**	**2,567**
At 1 January 2019	88	224	741	841	22	36	29	24	958	2,963	23	2,986
Total comprehensive income for the period	–	–	–	–	–	–	–	–	3	3	2	5
Share repurchased	–	(4)	–	–	–	–	–	–	–	(4)	–	(4)
At 30 June 2019	88	220	741	841	22	36	29	24	961	2,962	25	2,987

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

HK$ million	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(267)**	(9)
Adjustments for:		
Finance costs	**44**	46
Share of losses of an associate	**–**	2
Share of losses/(profits) of a joint venture	**17**	(8)
Depreciation	**35**	20
Amortisation of intangible assets	**3**	3
Fair value loss/(gain) on investment properties	**94**	(46)
Fair value loss/(gain) on collectible asset portfolio	**25**	(10)
	(49)	(2)
Decrease/(increase) in inventories	**5**	(87)
Decrease/(increase) in trade receivables	**19**	(3)
Decrease/(increase) in prepayments, other receivables and other assets	**44**	(66)
(Decrease)/increase in trade payables, other payables and accruals	**(7)**	153
Cash generated from/(used in) operations	**12**	(5)
Interest paid	**(42)**	(46)
Net cash flows used in operating activities	**(30)**	(51)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*
For the six months ended 30 June 2020

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(1)**	(13)
Proceeds from disposal of items of property, plant and equipment	**9**	9
Additions to collectible precision devices held for investment	**–**	(11)
Decrease/(increase) in investment in films	**6**	(24)
Decrease/(increase) in pledged time deposits	**44**	(41)
Net cash flows generated from/(used in) investing activities	**58**	(80)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**122**	204
Repayment of bank loans and trust receipts loans	**(140)**	–
Shares repurchased	**–**	(2)
Net cash flows (used in)/generated from financing activities	**(18)**	202
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10**	71
Cash and cash equivalents at beginning of the period	**71**	127
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**81**	198
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**81**	198

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2019 (the "**2019 Annual Report**").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's 2019 Annual Report, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19 Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendment prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has early adopted the amendment on 1 January 2020 and the amendment did not have any impact on the financial position and performance of the Group as the Group does not have any lease payments being reduced or waived as a result of the COVID-19 pandemic during the period.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence discussion made by the primary users. The amendments did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

3. DISAGGREGATION OF REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
Revenue from contracts with customers		
Property development and trading	**–**	2
Ferrari Dealership	**145**	320
Classic car trading and logistic business	**12**	12
Stage audio, lighting and engineering operations	**14**	95
Industrial Product Business	**11**	65
Other operations	**15**	32
	197	526
Revenue from other sources		
Rental income from investment properties	**7**	6
Income from investment in classic cars	**–**	8
	7	14
Total revenue	**204**	540

3. DISAGGREGATION OF REVENUE *(continued)*

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

For the six months ended 30 June 2020 (Unaudited)

	Timing of revenue recognition		
HK$ million	**Goods transferred at a point in time**	**Services transferred over time**	**Total**
Property development and trading	**–**	**–**	**–**
Ferrari dealership	**145**	**–**	**145**
Classic car trading and logistic business	**12**	**–**	**12**
Stage audio, lighting and engineering operations	**–**	**14**	**14**
Industrial Product Business	**11**	**–**	**11**
Other operations	**15**	**–**	**15**
Total	**183**	**14**	**197**

For the six months ended 30 June 2019 (Unaudited)

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and there were ten reportable operating segments during the 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 stage audio, lighting and 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) Industrial Product Business representing the manufacturing of plastic components and trading of child products; and

(j) other operations segment which is engaged in supportive business and start-up business including multimedia operations, classic car service center, investment in collectible precision devices and artist management.

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

4. OPERATING SEGMENT INFORMATION *(continued)*

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

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

For the six months period ended 30 June 2020 (Unaudited)

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Product Business	Other operations	Re-conciliations	Total
Segment revenue:												
Sales to external customers	–	7	–	145	12	–	–	14	11	15	–	204
Other revenue	–	–	–	4	–	–	–	1	–	2	1	8
Intersegment revenue	–	–	–	–	–	–	–	–	–	–	–	–
	–	7	–	149	12	–	–	15	11	17	1	212
Operating loss	–	(92)	–	(20)	(3)	(9)	(4)	(21)	(2)	(41)	–	(192)
Finance costs												(44)
Reconciled items:												
Corporate and other unallocated expenses												(14)
Share of losses of a joint venture	–	(17)	–	–	–	–	–	–	–	–	–	(17)
Share of losses of an as associate	–	–	–	–	–	–	–	–	–	–*	–	–*
Loss before tax												(267)
Income tax credit												–
Loss for the period												(267)

* Less than HK$1 million

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months period ended 30 June 2020 (Unaudited) *(continued)*

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Product Business	Other operations	Re-conciliations	Total
Other segment information:												
Expenditure for non-current assets	-	-	-	-	1	-	-	-	-	-	-	1
Depreciation and amortisation	-	(4)	(1)	(22)	(1)	-	-	(1)	-	(9)	-	(38)
Other material non-cash items:												
Fair value loss on investment properties	-	(94)	-	-	-	-	-	-	-	-	-	(94)
Fair value loss on classic cars held for investment	-	-	-	-	-	(9)	-	-	-	-	-	(9)
Fair value loss on collectible precision devices held for investment	-	-	-	-	-	-	-	-	-	(16)	-	(16)
As at 30 June 2020												
Segment assets	-	1,633	1,085	431	131	111	86	209	22	455	-	4,163
Reconciled items:												
Corporate and other unallocated assets	-	-	-	-	-	-	-	-	-	-	993	993
Total assets	-	1,633	1,085	431	131	111	86	209	22	455	993	5,156
Segment liabilities	-	938	688	472	6	-	-	92	27	55	-	2,278
Reconciled items:												
Corporate and other unallocated liabilities	-	-	-	-	-	-	-	-	-	-	311	311
Total liabilities	-	938	688	472	6	-	-	92	27	55	311	2,589

4. OPERATING SEGMENT INFORMATION *(continued)*

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

HK$ million	Property development and trading	Property investment and holding	Securities business	Ferrari dealership	Classic cars trading and logistic	Investment in classic cars	Film operations	Stage audio, lighting and engineering operations	Industrial Product Business	Other operations	Re-conciliations	Total
Segment revenue:												
Sales to external customers	2	6	–	320	12	8	–	95	65	32	–	540
Other revenue	–	–	–	2	6	–	5	–	–	–	–	13
Intersegment revenue	–	–	–	–	–	–	–	–	–	–	–	–
	2	6	–	322	18	8	5	95	65	32	–	553
Operating profit/(loss)	2	51	–	10	5	9	–	5	–	(31)	–	51
Finance costs												(46)
Reconciled items:												
Corporate and other unallocated expenses												(20)
Share of profits of a joint venture	8	–	–	–	–	–	–	–	–	–	–	8
Share of losses of an as associate	–	–	–	–	–	–	–	–	–	(2)	–	(2)
Loss before tax												(9)
Income tax credit												14
Profit for the period												5
Other segment information:												
Expenditure for non-current assets	–	–	–	(5)	(2)	–	–	(6)	–	–	–	(13)
Depreciation and amortisation	–	(1)	(1)	(7)	(2)	–	–	(1)	(1)	(10)	–	(23)
Other material non -cash items:												
Fair value gain on investment properties	–	46	–	–	–	–	–	–	–	–	–	46
Fair value gain on classic cars held for investment	–	–	–	–	–	8	–	–	–	–	–	8
Fair value gain on collectible precision devices held for investment	–	–	–	–	–	–	–	–	–	2	–	2
As at 31 December 2019 (Audited)												
Segment assets	237	1,484	1,172	418	122	120	101	235	36	477	–	4,402
Reconciled items:												
Corporate and other unallocated assets	–	–	–	–	–	–	–	–	–	–	1,048	1,048
Total assets	237	1,484	1,172	418	122	120	101	235	36	477	1,048	5,450
Segment liabilities	90	811	738	409	3	–	–	114	19	65	–	2,249
Reconciled items:												
Corporate and other unallocated liabilities	–	–	–	–	–	–	–	–	–	–	367	367
Total liabilities	90	811	738	409	3	–	–	114	19	65	367	2,616

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	Six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Hong Kong, Macau and Mainland China	**197**	487
Rest of the world	**7**	53
	204	540

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

(b) Non-current assets

HK$ million	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Hong Kong, Macau and Mainland China	**3,362**	3,309
Rest of the world	**50**	50
	3,412	3,359

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

For the six months ended 30 June 2020, no single customer contributed 10% or more of the Group's total revenue.

For the six months ended 30 June 2019, no single customer contributed 10% or more of the Group's total revenue.

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
Cost of inventories sold	**7**	61
Cost of classic cars sold	**2**	8
Cost of Ferrari dealership business	**123**	266
Cost of provision and leasing of lighting and stage audio equipment and engineering services	**27**	80
Cost of automotive service provided	**5**	5
Cost of sales — other operations	**10**	20
Depreciation and amortisation	**38**	23

6. TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2020. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
Current — Hong Kong		
Charge for the period	**–**	(1)
Deferred tax credit	**–**	15
Net tax credit for the period	**–**	14

No Hong Kong profits tax has been provided for the six months ended 30 June 2020 as the Group had no profits chargeable to Hong Kong profits tax during the period. During the period of six months ended 30 June 2020 and the corresponding period in 2019, the Group had no profit subject to foreign tax outside of Hong Kong and no provision had been made for overseas tax.

7. DIVIDENDS

The Board did not declare an interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(260)**	3
Interest on convertible bonds	**8**	8
(Loss)/profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**(252)***	11

	Number of shares	
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**873,111,452**	874,243,054
Effect of dilution — weighted average number of ordinary shares of convertible bonds	**347,500,000**	347,500,000
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,220,611,452***	1,221,743,054

The calculation of diluted loss per share amount for the six months ended 30 June 2020 is based on the loss 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.

* Because the diluted loss per share amount is decreased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the period and was ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of HK$260 million, and the weighted average number of ordinary shares of 873,111,452 in issue during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK$1 million (six months ended 30 June 2019: HK$13 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:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**14**	**5**	47	17
31 to 60 days	**2**	**1**	10	4
61 to 90 days	**2**	**1**	7	2
Over 90 days	**246**	**93**	219	77
	264	**100**	283	100

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

HK$ million	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Financial assets at fair value through profit or loss	**545**	545

12. TRADE PAYABLES

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

HK$ million	30 June 2020 (Unaudited) Balance	Percentage	31 December 2019 (Audited) Balance	Percentage
Current to 30 days	**6**	**12**	26	41
31 to 60 days	**6**	**12**	5	8
61 to 90 days	**3**	**6**	6	10
Over 90 days	**35**	**70**	26	41
	50	**100**	63	100

13. CONVERTIBLE BONDS

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

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

13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds

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

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

The conversion price of the 2024 Convertible Bonds was adjusted from HK$0.90 to HK$0.87, from HK$0.87 to HK$0.84, from HK$0.84 to HK$0.81, from HK$0.81 to HK$0.78, from HK$0.78 to HK$0.75 and from HK$0.75 to HK$0.72 per conversion share on 1 June 2016, 15 September 2016, 5 June 2017, 18 September 2017, 5 June 2018 and 18 September 2018 respectively pursuant to the terms and conditions of the convertible bonds. The conversion price of the 2024 Convertible Bonds as at 30 June 2020 was HK$ 0.72 per conversion share.

During the six months period ended 30 June 2020, there was no movement of the 2024 Convertible Bonds.

13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds *(continued)*

The following table sets out the shareholding structure of the Company: (i) as at 30 June 2020, and (ii) for illustrative purpose only, the structure immediately after the issue of the 347,500,000 Shares upon full conversion of the all the outstanding 2024 Convertible Bonds as at 30 June 2020 at the conversion price of HK$0.72 per conversion share, assuming that there is no other changes to the share capital of the Company from 30 June 2020 to date of the allotment and issue of the conversion shares:

	As at 30 June 2020		Immediately after conversion of all the outstanding 2024 Convertible Bonds and issue of the conversion shares	
Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Capital Force	**96,868,792**	**11.09**	**346,868,792**	**28.42**
New Capital	**171,357,615**	**19.63**	**268,857,615**	**22.03**
Capital Winner	**177,798,672**	**20.36**	**177,798,672**	**14.57**
Mr. Mak	**25,589,652**	**2.93**	**25,589,652**	**2.09**
Sub-total for Mr. Mak and his close associates	**471,614,731**	**54.01**	**819,114,731**	**67.11**
Public Shareholders	**401,496,721**	**45.99**	**401,496,721**	**32.89**
Total	**873,111,452**	**100.00**	**1,220,611,452**	**100.00**

The outstanding 2024 Convertible Bonds had an anti-dilutive effect on the loss per share of the Company for the six months ended 30 June 2020, the calculation of which is set out in note 8 to the financial statements of this interim report.

13. CONVERTIBLE BONDS *(continued)*

2024 Convertible Bonds *(continued)*

As bondholder(s) has no right to demand prepayment of the 2024 Convertible Bonds before the maturity date and the bonds have a long maturity, therefore, the outstanding 2024 Convertible Bonds is unlikely to have any significant 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. Therefore, the possible financial burden arising from the potential repayment of the 2024 Convertible Bonds is not likely to be significant in the near future.

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:

Suggested conversion date	**Company's Share price**	**Implied rate of return of bondholder** (%)
31 December 2020	HK$0.72	5.10%
30 June 2021	HK$0.72	5.11%

14. SHARE CAPITAL

HK$ million	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200**	200
Issued and fully paid:		
873,111,452 (31 December 2019: 873,111,452) ordinary shares of HK$0.10 each	**87**	87

There were no transactions involving the Company's issued ordinary share capital during the six months ended 30 June 2020.

15. CONTINGENT LIABILITIES

As at 30 June 2020, contingent liabilities not provided for in the financial statements were as follows:

(a) Financial guarantees

HK$ million	**30 June 2020 (Unaudited)**	31 December 2019 (Audited)
Corporate guarantees given to banks in connection with facilities granted to the GBA Group	**30**	30

As at 31 December 2019, the banking facilities granted to the GBA Group which were secured by corporate guarantees given by the Company were utilised to the extent of approximately HK$8 million.

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

(b) Litigations

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

16. PLEDGE OF ASSETS

At 30 June 2020, the Group's interest-bearing bank borrowings were secured by:

(i) mortgage 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$611 million (31 December 2019: HK$622 million);

(ii) mortgage of the Group's properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$1,625 million (31 December 2019: HK$1,719 million);

(iii) pledge of certain inventories of the Group, which had an aggregate carrying amount at the end of the reporting period of HK$8 million (31 December 2019: HK$36 million); and

(iv) pledge of certain time deposits of the Group with an aggregate amount of HK$34 million (31 December 2019: HK$78 million).

17. COMMITMENTS

As at 30 June 2020, capital commitment of the Group amounted to approximately HK$4 million (31 December 2019: HK$6 million).

18. RELATED PARTY TRANSACTIONS

(a) GBA is regarded as a related party of the Company as the Company is a substantial shareholder of GBA, holding approximately 29.2% of the total number of issued GBA Shares. Mr. Mak is also a related party of the Company as he is the chairman, CEO and the controlling shareholder of the Company. During the six months period ended 30 June 2020, the Group had conducted the following related party transactions with (1) the GBA Group; and (2) Mr. Mak and private companies controlled by him:

		Six months ended 30 June	
HK$ million	Notes	**2020 (Unaudited)**	2019 (Unaudited)
(1) With the GBA Group:			
Sales of components	(i)	**5**	13
Management information system service fees	(ii)	**2**	3
Purchase of child products	(iii)	**5**	50
Administrative service fee	(iv)	**1**	1
(2) With Mr. Mak and private companies controlled by him:			
Interest expense on the 2024 Convertible Bonds	(v)	**8**	7
Rental income on investment properties	(vi)	**3**	3

18. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(i) These sales represented components and tooling manufactured by the Group and sold to the GBA Group, based on terms and conditions of the component manufacturing agreement entered into between the Company and GBA on 15 November 2018 (the "**2018 Component Agreement**"). The 2018 Component Agreement has a term of three years from 1 January 2019 to 31 December 2021. Pursuant to the 2018 Component Agreement, the Company agreed to manufacture and supply through its subsidiaries certain plastic casings, components and other component products and tooling to the GBA Group. In accordance with the terms of the 2018 Component Agreement, the purchase prices of plastic casings, components and other component products were determined based on the direct material costs plus a mark-up of no more than 250%. The charges for the tooling were determined based on the total costs plus a mark-up of no more than 50%. On 24 July 2020, GBA served a six-month prior written notice to the Company to terminate the 2018 Component Agreement with effect from 24 January 2021.

(ii) The management information system service fee was charged by GBA to the Company for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2017 entered into between the Company and GBA, which has a term of three years from 1 January 2018 to 31 December 2020.

(iii) This represented the transaction amount for the supply of feeding, health care, hygiene, safety, toy and other related products for infants and babies by the GBA Group to the Group based on the agreement set out below. On 15 November 2018, an agreement was entered into between GBA and the Company (the "**2018 Child Products Agreement**"), which governs the terms and conditions for the supply of child products by the GBA Group to the Group during a term of three years from 1 January 2019 to 31 December 2021. Pursuant to the 2018 Child Products Agreement, the price of the child products to be supplied by the GBA Group to the Group will be the higher of the sum of the direct material costs plus a mark-up of no more than 250% of the direct material costs and the selling prices that the Group sells to independent third parties less a discount of up to 10%. On 24 July 2020, the Company served a six-month prior written notice to GBA to terminate the 2018 Child Products Agreement with effect from 24 January 2021.

18. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(iv) The administrative service income was received from the GBA Group for provision of administrative and other related services by the Group to the GBA Group.

(v) On 27 January 2016, the Company entered into the sale and purchase agreement with Mr. Mak to acquire all the issued shares of the companies which indirectly hold interest in the properties at House 38 and House 39, No. 56 Repulse Bay Road, Repulse Bay, Hong Kong (collectively as the "**Property Holding Companies**") from Mr. Mak and the shareholder's loans then due to Mr. Mak by the Property Holding Companies for the share consideration of approximately HK$250 million (which was satisfied by the issue of the 2024 Convertible Bonds to Capital Force and New Capital) and the cash consideration of approximately HK$29 million. The aforesaid transactions constituted non-exempt connected transactions for the Company under the Listing Rules. The interest expense was paid to Capital Force and New Capital in respect of the 2024 Convertible Bonds, which carry interest at 5% per annum.

(vi) On 6 December 2017, two indirect wholly-owned subsidiaries of the Company entered into the tenancy agreements with Mr. Mak to lease the properties situated at House 38 and House 39, No. 56 Repulse Bay Road to Mr. Mak for a rental period from 1 January 2018 to 31 December 2020 at a monthly rental (inclusive of management fee and government rent and rates) of HK$270,000 and HK$260,000, respectively. The rental was determined based on market rental. The rental transactions constituted non-exempt continuing connected transactions for the Company under the Listing Rules. On 1 June 2020, two surrender agreements were entered into between two indirect wholly-owned subsidiaries of the Company and Mr. Mak, pursuant to which the aforesaid tenancy agreements were terminated with effect from 1 June 2020.

(vii) The Company has complied with the relevant requirements under the Listing Rules in respect of the non-exempt connected transactions and continuing connected transactions set out in paragraphs (v) and (vi) above.

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

	Six months ended 30 June	
HK$ million	**2020 (Unaudited)**	2019 (Unaudited)
Short term employee benefits	**11**	12

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

19. COMPARATIVE AMOUNTS

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

20. EVENT AFTER REPORTING PERIOD

On 27 July 2020, an agreement (the "**Agreement**") was entered into between Mr. Lam Kong Ming (the "**Purchaser**"), being an independent third party, and AHM Engineering Company Limited (the "**Vendor**"), being an indirect non-wholly owned subsidiary of the Company, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to dispose of the sale shares, representing 91% of the total number of issued shares of Golden Wish Enterprises Limited (the "**Target Company**") and assign the benefit of the shareholder's loan to the Purchaser, at a consideration of HK$30,000,000. The remaining 9% of the total number of issued shares of the Target Company is held by the Purchaser. The Target Company and its subsidiary (the "**Target Group**") is engaged in stage production and provision of ancillary engineering services and selling and leasing of audio, lighting and stage equipment for live performance events, primarily in Macau. Pursuant to the Agreement, the completion of the transactions contemplated under the Agreement (the "**Transactions**") would take place on or before 15 August 2020. Due to new wave of coronavirus infection in Hong Kong and the absence of the travel bubble between Hong Kong and Macau, the Purchaser needs more time to arrange for the funding of the first payment of HK$5,000,000 on completion of the Transactions. Therefore, the Purchaser and the Vendor have agreed to postpone the completion date of the Agreement to a date on or before 30 October 2020. Upon completion of the Transactions, members of the Target Group would cease to be subsidiaries of the Company.

21. APPROVAL OF THE INTERIM REPORT

The interim report was approved by the Board on 28 August 2020.

disclosure of interests

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

As at 30 June 2020, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO; or (iii) as notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

Interests and short positions in the shares and the underlying shares as at 30 June 2020

(A) THE COMPANY

Long Positions

		Number of the Shares/underlying Shares			
Name of Directors	**Capacity/ nature of interests**	**No. of Shares**	**No. of Shares convertible under the 2024 Convertible Bonds**	**Total interests**	**Approximate % of the total number of issued Shares***
Executive Directors					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Beneficial owner	25,589,652	–		
	Interests of controlled corporations	446,025,079 *(Note 1)*	347,500,000 *(Note 2)*	819,114,731	93.81%
Tam Ngai Hung, Terry	Beneficial owner	1,380,000	–	1,380,000	0.15%

* The percentage was calculated based on 873,111,452 Shares in issue as at 30 June 2020.

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 2020
(continued)

(A) THE COMPANY *(continued)*

Long Positions (continued)

Notes:

1. The interests disclosed represented an aggregate of 446,025,079 Shares which were held by Capital Force, New Capital and Capital Winner as at 30 June 2020. All these companies are private corporations wholly-owned by Mr. Mak beneficially. 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 respective general meetings of Capital Force, New Capital and Capital Winner.

2. The interest disclosed represented 347,500,000 underlying Shares as at 30 June 2020, at the existing conversion price of HK$0.72 per conversion share (subject to adjustments pursuant to the terms and conditions of the 2024 Convertible Bonds) in respect of the 2024 Convertible Bonds issued by the Company to Capital Force and New Capital. Out of such 347,500,000 underlying Shares, 250,000,000 underlying Shares were held by Capital Force and 97,500,000 underlying Shares were held by New Capital. 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 respective general meetings of Capital Force and New Capital.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES
(continued)

Interests and short positions in the shares and the underlying shares as at 30 June 2020
(continued)

(B) ASSOCIATED CORPORATION — GBA

Long Positions

		Number of GBA Shares/underlying GBA Shares			
Name of directors	**Capacity/ nature of interests**	**No. of GBA Shares**	**No. of GBA share options**	**Total interests**	**Approximate % of the total number of issued GBA Shares***
Executive directors					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Interests of controlled corporations	53,667,100,000 *(Note A)*	–		
	Beneficial owner	–	2,620,000,000 *(Notes B & C)*	56,287,100,000	30.61%
Tam Ngai Hung, Terry	Beneficial owner	10,000,000	3,445,000,000 *(Notes B & D)*	3,455,000,000	1.87%
Cheng Yuk Ching, Flora	Beneficial owner	–	3,445,000,000 *(Notes B & D)*	3,445,000,000	1.87%
Independent non-executive directors					
Tam King Ching, Kenny	Beneficial owner	–	35,000,000 *(Notes B & E)*	35,000,000	0.01%
Chen Li	Beneficial owner	10,000,000	–	10,000,000	0.01%
Chow Siu Ngor	Beneficial owner	–	35,000,000 *(Notes B & E)*	35,000,000	0.01%

* The percentage was calculated based on 183,846,100,000 GBA Shares in issue as at 30 June 2020.

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 2020
(continued)

(B) ASSOCIATED CORPORATION — GBA *(continued)*

Long Positions (continued)

Notes:

A. The interests disclosed represented 53,667,100,000 GBA Shares, held indirectly by the Company through its two indirect wholly-owned subsidiaries, of which 28,467,100,000 GBA Shares were held by CCT Telecom Securities Limited and 25,200,000,000 GBA Shares were held by Ever Sino Group Limited. Mr. Mak was deemed to be interested in the aforesaid 53,667,100,000 GBA Shares under the SFO as he was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company through his interest in the shareholding of approximately 54.01% of the total number of issued Shares as at 30 June 2020.

B. These represented underlying GBA Shares of the outstanding share options granted to the directors of GBA pursuant to the GBA 2011 Scheme as at 30 June 2020.

C. The 2,620,000,000 share options interested by Mr. Mak as at 30 June 2020 represented (i) the share options granted to Mr. Mak on 18 January 2017 to subscribe for 1,300,000,000 GBA Shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; and (ii) the share options granted to Mr. Mak on 25 January 2018 to subscribe for 1,320,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028.

D. The 3,445,000,000 share options interested by each of Mr. Tam Ngai Hung, Terry and Ms. Cheng Yuk Ching, Flora as at 30 June 2020 represented (i) the share options granted to each of these two executive directors of GBA on 18 January 2017 to subscribe for 825,000,000 GBA Shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (ii) the share options granted to each of these two executive directors of GBA on 25 January 2018 to subscribe for 1,320,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iii) the share options granted to each of these two executive directors of GBA on 25 January 2019 to subscribe for 1,300,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

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 2020 *(continued)*

(B) ASSOCIATED CORPORATION — GBA *(continued)*

Long Positions (continued)

Notes: (continued)

E. The 35,000,000 share options interested by each of Mr. Tam King Ching, Kenny and Mr. Chow Siu Ngor as at 30 June 2020 represented (i) the share options granted to each of these two independent non-executive directors of GBA on 17 January 2014 to subscribe for 5,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 17 January 2014 to 16 January 2024; (ii) the share options granted to each of these two independent non-executive directors of GBA on 18 January 2017 to subscribe for 10,000,000 GBA Shares at the exercise price of HK$0.011 per share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (iii) the share options granted to each of these two independent non-executive directors of GBA on 25 January 2018 to subscribe for 10,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iv) the share options granted to each of these two independent non-executive directors of GBA on 25 January 2019 to subscribe for 10,000,000 GBA Shares at the exercise price of HK$0.01 per share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

Save as disclosed above, as at 30 June 2020, none of the Directors and the chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) 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 2020 was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, 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 2020

Long Positions

		Number of the Shares/underlying Shares			
Name of substantial Shareholders	**Capacity/ nature of interests**	**No. of Shares**	**No. of Shares convertible under the 2024 Convertible Bonds**	**Total interests**	**Approximate % of the total number of issued Shares***
Capital Force *(Note)*	Beneficial owner	96,868,792	250,000,000	346,868,792	39.72%
New Capital *(Note)*	Beneficial owner	171,357,615	97,500,000	268,857,615	30.79%
Capital Winner *(Note)*	Beneficial owner	177,798,672	–	177,798,672	20.36%

* The percentage was calculated based on 873,111,452 Shares in issue as at 30 June 2020.

Note: Capital Force, New Capital and Capital Winner are private corporations, the shares in which are wholly-owned by Mr. Mak beneficially.

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 the chief executive of the Company are not aware that there is any party (not being the Directors or chief executive of the Company) who, as at 30 June 2020, 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.

share option scheme

SHARE OPTION SCHEME

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

As at 30 June 2020, 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 2020.

other information

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the six months ended 30 June 2020.

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 2020 to 30 June 2020, except for the minor deviations from the following Code Provisions of the CG Code:

Code Provision A.2.1

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

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 for the six months ended 30 June 2020.

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 and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy of Directors seldom happens and duration between appointment to fill casual vacancy and the immediate following AGM is less than one year and is considered to be short.

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

Other information on the corporate governance practices of the Company has been disclosed in the corporate governance report contained in the 2019 annual report of the Company issued in April 2020.

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 2020.

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 2020 has been reviewed by the Audit Committee.

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

Upon special enquiry by the Company and following confirmations from the Directors, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

corporate information

COMPANY NAME
CCT Fortis Holdings Limited

BOARD AND COMMITTEES OF THE BOARD

Executive Directors
Mak Shiu Tong, Clement *(Chairman and CEO)*
Tam Ngai Hung, Terry *(Deputy Chairman)*
Cheng Yuk Ching, Flora

Independent Non-executive Directors
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

Audit Committee
Tam King Ching, Kenny *(chairman)*
Chen Li
Chow Siu Ngor

Remuneration Committee
Chow Siu Ngor *(chairman)*
Tam King Ching, Kenny
Chen Li
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee
Mak Shiu Tong, Clement *(chairman)*
Tam Ngai Hung, Terry
Tam King Ching, Kenny
Chen Li
Chow Siu Ngor

COMPANY SECRETARY
Sze Suet Ling

PRINCIPAL BANKERS
Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

REGISTERED OFFICE
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18/F., CCT Telecom Building
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Shatin, New Territories
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
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Hong Kong

TELEPHONE NUMBER
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FAX NUMBER
+852 2102 8100

COMPANY WEBSITE
www.cct-fortis.com

STOCK CODE
138

glossary of terms

GENERAL TERMS

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

"Child Products Trading Business"	The business of trading and sale of the Child Products engaged by the Group
"China" or "PRC"	The People's Republic of China
"Company"	CCT Fortis Holdings Limited (stock code: 138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange
"Director(s)"	The director(s) of the Company
"GBA"	GBA Holdings Limited (formerly known as "Greater Bay Area Investments Group Holdings Limited") (stock code: 261), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"GBA 2011 Scheme"	The share option scheme conditionally adopted by GBA on 27 May 2011 which took effect on 30 May 2011
"GBA Group"	GBA and its subsidiaries, from time to time
"GBA Share(s)"	Ordinary share(s) of HK$0.01 each in the share capital of GBA
"Group"	The Company and its subsidiaries, from time to time
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Industrial Product Business"	The businesses of manufacturing and sale of plastic components and the Child Products Trading Business, carried out by the Group
"INED(s)"	The independent non-executive director(s) of the Company
"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
"Macau"	The Macau Special Administrative Region of the PRC

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

FINANCIAL TERMS

"current ratio"	Current assets divided by current liabilities
"earnings per share"	Profit attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the period
"gearing ratio"	Total borrowings (representing interest-bearing bank and other borrowings and lease liabilities/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
"1H19"	First half of 2019
"1H20"	First half of 2020