ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00128)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Board of Directors (the "Board") of ENM Holdings Limited (the "Company") herein presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 together with the unaudited comparative amounts for the corresponding period in 2018.

The financial information set out below in this announcement represents an extract from the condensed consolidated financial statements for the six months ended 30 June 2019, which are unaudited, but have been reviewed by the Company's external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), whose unmodified review report is included in the interim report to be sent to shareholders. The condensed consolidated financial statements for the six months ended 30 June 2019 have also been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	4	**66,470**	71,764
Cost of sales		**(21,939)**	(24,790)
Gross profit		**44,531**	46,974
Other income		**748**	738
Selling and distribution costs		**(18,120)**	(22,012)
Administrative expenses		**(33,289)**	(36,268)
Depreciation of property, plant and equipment and amortization		**(3,602)**	(3,270)
Other operating gains/(losses), net		**55,924**	(12,752)
Profit/(loss) from operations		**46,192**	(26,590)
Fair value gains on investment properties		**300**	2,100
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		**(470)**	5,335
Finance costs	5	**(327)**	(107)
Gain on liquidation of subsidiaries		**-**	1,073
Profit/(loss) before tax		**45,695**	(18,189)
Income tax expense	6	**-**	-
Profit/(loss) for the period	7	**45,695**	(18,189)
Attributable to:			
Owners of the Company		**45,726**	(18,153)
Non-controlling interests		**(31)**	(36)
		45,695	(18,189)
		HK$ ***(unaudited)***	HK$ *(unaudited)*
Earnings/(loss) per share			
- Basic	8(a)	**2.77 cents**	(1.10 cents)
- Diluted	8(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Note	**30 June 2019 HK$'000 *(unaudited)***	31 December 2018 HK$'000 *(audited)*
Non-current assets			
Property, plant and equipment		**70,194**	74,013
Right-of-use assets		**10,030**	-
Investment properties		**46,700**	46,400
Intangible assets		**913**	956
Financial assets at fair value through profit or loss	10	**50,769**	50,747
Total non-current assets		**178,606**	172,116
Current assets			
Inventories		**24,881**	24,075
Trade receivables	11	**793**	537
Prepayments, deposits and other receivables		**10,223**	11,636
Financial assets at fair value through profit or loss	10	**669,308**	630,338
Pledged bank deposits		**10,000**	12,334
Time deposits		**36,140**	72,283
Cash and bank balances		**76,732**	28,788
Total current assets		**828,077**	779,991
Current liabilities			
Trade and other payables	12	**23,657**	25,141
Lease liabilities		**5,074**	-
Interest-bearing bank borrowings		**3,304**	3,195
Total current liabilities		**32,035**	28,336
Net current assets		**796,042**	751,655
Non-current liabilities			
Lease liabilities		**5,196**	-
NET ASSETS		**969,452**	923,771

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D) AT 30 JUNE 2019

	30 June 2019 HK$'000 *(unaudited)*	31 December 2018 HK$'000 *(audited)*
Capital and reserves		
Issued capital	**1,206,706**	1,206,706
Accumulated losses	**(1,046,737)**	(1,092,463)
Other reserves	**810,107**	810,118
Equity attributable to owners of the Company	**970,076**	924,361
Non-controlling interests	**(624)**	(590)
TOTAL EQUITY	**969,452**	923,771

Notes:

1. Basis of Preparation

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

The financial information relating to the year ended 31 December 2018 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2019 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

These condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new and revised Hong Kong Financial Reporting Standards as described in note 2.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

HKFRS 16 Leases

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

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

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

HKFRS 16 Leases (cont'd)

(b) As a lessee

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

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

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

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

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

Significant accounting policies

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

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

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

HKFRS 16 Leases (cont'd)

(b) As a lessee (cont'd)

<u>Significant accounting policies (cont'd)</u>

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

<u>Transition</u>

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

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

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

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

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

HKFRS 16 Leases (cont'd)

(c) Impacts of financial statements

Impact on transition

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

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

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

HKFRS 16 Leases (cont'd)

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

Impact on transition (cont'd)

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

Impacts for the period

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

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

3. Segment Information

The Group has three reportable segments as follows:

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

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

Segment profits or losses do not include the following:

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

Segment liabilities do not include interest-bearing bank borrowings.

3. Segment Information (Cont'd)

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

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

4. Revenue

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

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

5. Finance Costs

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	*(unaudited)*
Interest on bank loans	**114**	107
Interest on lease liabilities	**213**	-
	327	107

6. Income Tax Expense

No provision for Hong Kong Profits Tax and overseas income tax has been made for the six months periods ended 30 June 2019 and 2018 since the Group has no assessable profit in Hong Kong and other countries in which the Group operates or has sufficient tax losses brought forward to set off against the assessable profits for both periods.

7. Profit/(Loss) for the Period

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

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

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

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

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

8. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

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

9. Dividends

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

10. Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

11. Trade Receivables

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

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

	30 June 2019 HK$'000 *(unaudited)*	31 December 2018 HK$'000 *(audited)*
Within 1 month	**753**	523
2 to 3 months	**38**	14
Over 3 months	**2**	-
	793	537

12. Trade and Other Payables

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

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

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

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

FINANCIAL REVIEW

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

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

(1) before general and administrative expenses, net realised and unrealised gains of HK$63,629,000 (including interest and dividend income of HK$7,702,000, net gains on disposal of HK$3,605,000 and net unrealised fair value gains of HK$52,322,000) attributable to the gains incurred within the investment portfolio and other equities investments for the period ended 30 June 2019 as compared to net realised and unrealised losses of HK$7,977,000 (including interest and dividend income of HK$5,018,000, net losses on disposal of HK$2,190,000 and net unrealised fair value losses of HK$10,805,000) for the corresponding period in 2018. Since most of the asset prices of our marketable fund investments, the private equity fund and a listed equity investment in China Motor Bus Limited have appreciated during the period, the Group's return from investment in financial instruments has substantially improved and contributed a segment profit of HK$54,350,000 to the Group;

(2) despite the weak consumer market and a 3% decline in same store sales, a breakeven operating profit of HK$253,000 from the retail fashion business, as compared with operating loss of HK$910,000 for the corresponding period of last year, was achieved due to continuous clearance of aged-stock, cost control and a slightly better gross profit margin;

(3) a drop in losses of HK$451,000 from recreational club operations was mainly attributable to continuous improvement of revenue after the completion of renovation for both the western restaurant and the banquet rooms in the third quarter of 2018;

(4) a decrease in fair value gain of HK$1,800,000 from the revaluation of the Group's investment properties;

(5) a decrease in fair value of the Group's resort and recreational club properties, resulting in a deficit of HK$470,000, as compared with a deficit write-back of HK$5,335,000 on revaluation of the Group's resort and recreational club properties for the last corresponding period; and

(6) in the last corresponding period in 2018, the Group recorded one-off income of HK$1,073,000 from the reclassification of exchange fluctuation reserve to profit or loss upon the liquidation of subsidiaries which had been engaged in the retail fashion business in China in prior years.

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

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

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

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

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

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

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

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

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

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

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

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

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

Resort and Recreational Club Operations

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

Opened in 1980 at the foothills of Tai Mo Shan in the Lo Wai District of Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational, sporting and other outdoor activities, conferences, dining and lodging facilities to its members and their guests.

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

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

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

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

Investment in Financial Instruments

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

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

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

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

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

The marketable and investment portfolio includes four investment strategies, which are a money market portfolio, an investment grade & high yield bond funds portfolio, an enhanced yield fund portfolio and an equity–based fund portfolio. All investments are marketable securities which are traded over-the-counter. The total carrying value of the Group’s investment in the marketable funds investment portfolio was HK$497,766,000 as of 30 June 2019 (31 December 2018: HK$512,478,000), representing approximately 49.4% of carrying value of the Group’s total assets and the asset allocation in the portfolio comprised of 3.7% money market funds, 50.8% fixed income funds, 33.1% enhanced income funds and 12.4% equity funds. The marketable funds investment portfolio recorded a net profit of HK$44,361,000 (or 8.6%) (2018: net loss of

HK$1,036,000) for the six months ended 30 June 2019. The profit was mainly attributable to unrealized market-to-market gains from the fund investments. The decline in the total carrying value of the marketable funds investment portfolio was mainly due to the disposal at a profit of our investment in the H2O Allegro Fund just before the interim period date.

Money Market Portfolio

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

Investment Grade & High Yield Bond Funds Portfolio

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

PIMCO GIS- Income Fund

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

IP All Seasons Bond Fund

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

Robeco High Yield Bond Fund

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

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

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

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

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

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

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

Prudence Enhanced Income Fund

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

IP All Seasons Asian Credit Fund

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

H2O Allegro Fund

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

Allianz Income & Growth Fund

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

Equity–Based Funds Portfolio

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

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

MS Portfolio

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

LGT Portfolio

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

C. Listed Securities

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

China Motor Bus (“CMB”)

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

PuraPharm Corporation Limited

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

D. Listed USD corporate bond investments mainly with fixed tenor

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

E. Other Fund Investments - ASEAN China Investment Fund III L.P. ("ACIF III"), ASEAN China Investment Fund IV L.P. ("ACIF IV") and Invesco US Senior Loans 2021, L.P. Fund

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

ACIF III Fund (Private Equity)

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

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

ACIF IV Fund (Private Equity)

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

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

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

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

TREASURY MANAGEMENT/POLICIES

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

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

The Group's imported purchases are mainly denominated in Euro, with insignificant portions in Yen, British Pound and United States dollars and a negligible portion of investments are denominated in currencies other than United States dollars and Hong Kong dollars. The Group has undertaken small-scale hedging to protect its position, particularly with respect to the Euro and will, from time to time, review its foreign exchange position and market conditions to determine the degree of hedging (if any) that is required. Typically, the Group purchases forward Euro and Euro cash amounting to approximately half of its anticipated purchase requirement.

LIQUIDITY AND FINANCIAL POSITION

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

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

PLEDGE OF ASSETS

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

IMPORTANT EVENTS AFTER THE FINANCIAL PERIOD

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019.

BOARD OF DIRECTORS

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

By order of the Board
David Parker
Executive Director
and Chief Executive Officer

Hong Kong, 26 August 2019