

Report of the Standing Committee on Investment 2019

The Standing Committee on Investment was formed to make suggestion on the long-term and short-term investment strategies for the Bar, with the assistance of professional investment advisers, presently RBC Investment Services (Asia) Limited. The investment approach of the Bar, as always has been prudent. Its objective is to achieve growth in the long run. At the same time, the interest and dividends income earned from the Bar's investment provide an important regular source of income required to fund the Bar's various activities.

Current membership of the Standing Committee on Investment is as follows:

Mr. Chan Chi Hung SC, Chairman

Mr. Douglas Lam SC, Vice Chairman

Mr. Laurence Li SC

Mr. Jean-Paul Wou

Ms. Angela Mui

1. **Bonds and Fixed Income.** The Bar is currently holding one Bond in its portfolio, namely, Franshion Development. The estimated total market value of this Bond held by the Bar at the end of the financial year (30 September 2019) was HK\$1,645,862.40, which has increased by \$9,328.80 in this financial year. There is a significant drop in the market value of the Bonds held by the Bar due to the fact that the Committee redeemed the other Bond that the Bar had been holding, namely, Swire Pacific Finance EMTN, when it matured on 19 August 2019. The total interest income from the bond investments during this financial year was HK\$144,704.32, representing a decrease by about 4% over the previous financial year.
2. **Equities.** The Bar is currently holding the same 13 equities it held in the last financial year: (1) HSBC Holdings PLC, (2) Hang Seng Bank Ltd, (3) CKH Holding, (4) Swire Pacific Ltd 'A', (5) China Construction Bank Corporation, (6) China Mobile Limited, (7) Cheung Kong Infrastructure Hold Ltd, (8) Cheung Kong Property (CK Asset), (9) AIA Group Ltd, (10) Industrial and Commercial Bank of China Limited, (11) Ping An Investment (Group) Co. of China, (12) Bank of China, (13) ChinaAMC CSI 300.

During this financial year, the Committee did not undertake any sale or purchase of Bond or equity, as the financial market has been very volatile and thus a conservative investment strategy is adopted. The Bar earned cash dividends in the total sum of \$929,052.65, which is 16% less than what the Bar earned in the previous financial year. On the other hand, the Bar earned scrip dividends in the total sum of \$623,386.86, which is 59% more than what the Bar received in the previous financial year, as the Committee opted for more scrip dividends than the previous financial year. The decisions opting for script dividends were primarily based on the premium of the then market price (or the expected premium, as there were a few days' difference between the time of decision and the time of script distribution) over the respective option price. The Bar earned a total of \$1,552,439.51 of dividends, which is about 4% increase as compared to the previous financial year.

The Committee in general tend to opt for more cash dividends than script dividends this year, as the Committee has been adopting a conservative investment strategy given the growing local tension, as well as the global financial environment clouded with the uncertainty over the trade war and Brexit.

Despite the best efforts of the Committee, the equities held by the Bar reported a book loss of HK\$3,369,442.46 (i.e. on a marked to market but unrealized basis), compared with a loss of HK\$954,398.98 in the previous financial year. The capital loss on the market value of the equities held by the Bar during this financial year is about 10.052%. That is mainly due to the general bad performance of the Hong Kong Stock Market in this financial year.

The Bar's equities holdings are not for short-term trading and the overall performance of the Bar's portfolio is relatively steady, compared with the overall performance of the stock market in Hong Kong. We intend to hold the equities for the medium to long term, but we will keep watch of the market conditions and adjust our investment strategy accordingly.

I took up Chairmanship of the Standing Committee on Investment in March this year. I would like to thank Mr Horace Wong S.C., my preceding Chairman, who had looked after the Bar's investments for many years. During his Chairmanship, Horace had devoted much time to the Committee, and made informed decisions with his best endeavours. The Committee would like to express their gratitude to Horace for his strong lead and his contributions to the Committee, and we would like to extend him our best wishes.

Last but not least, I would also like to express my gratitude to my fellow Committee members whose timely contributions are invaluable to the Committee, and are conducive to its development.

Chan Chi Hung SC
Chairman
Standing Committee on Investment

3 December 2019