



# First Shanghai Investments Limited

Stock Code : 227

## INTERIM REPORT 2015





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# FIRST SHANGHAI INVESTMENTS LIMITED

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

Mr. LO Yuen Yat

#### Executive Directors

Mr. XIN Shulin  
Mr. YEUNG Wai Kin

#### Non-executive Director

Mr. KWOK Lam Kwong, Larry,  
*B.B.S., J.P.*

#### Independent Non-executive Directors

Prof. WOO Chia-Wei  
Mr. LIU Ji  
Mr. YU Qihao  
Mr. ZHOU Xiaohe

### COMPANY SECRETARY

Mr. YEUNG Wai Kin

### REGISTERED OFFICE

Room 1903, Wing On House  
71 Des Voeux Road Central  
Hong Kong  
Telephone: (852) 2522 2101  
Fax: (852) 2810 6789  
E-mail address:  
enquiry@firstshanghai.com.hk  
Website: [www.firstshanghai.com.hk](http://www.firstshanghai.com.hk)

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants

### SOLICITORS

Jennifer Cheung & Co.  
Reed Smith Richards Butler  
T. H. Koo & Associates

### PRINCIPAL BANKERS

China CITIC Bank International Limited  
Standard Chartered Bank (Hong Kong)  
Limited

### REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### STOCK CODE

Stock Code on The Stock Exchange of  
Hong Kong Limited: 227

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2015 together with the comparative figures for the corresponding period last year.

### **Business Overview**

During the first half of 2015, global markets experienced high volatility and the performance of financial markets among countries were mixed. Most stock indexes hit record highs, despite that there had been fluctuations due to concerns over the slowdown of the Chinese economy, early interest rate hike and the Greek bailout. In the US, economic recovery remains strong and the US Federal Reserve Board continued to discuss a move to normalize monetary policy with an expected interest rate rise before the end of the year. This contrasted with the eurozone implementing its asset purchase program earlier in the year. The financial markets in Europe remained volatile under the shadows of the Greek debt crisis and the political issues concerning Russia and Ukraine. In Asia, the Japanese government continued to implement accommodative monetary and weak Yen policy which did provide certain support to its economic growth. The Chinese economy, despite the vigorous economic structural reform initiated by the Central Government and the issuance of “One Belt, One Road” policy, still experienced sluggish growth rate. On the other hand, the A-share market experienced rapid rise till May 2015 tracking with the monetary easing measures and loosening of policies including relaxation of restrictions on opening securities accounts and borrowing from stockbrokers. In Hong Kong, unemployment rate remained low and property market continued to report steady growth. The overall economy grew moderately, despite slipping domestic retail sales data was reported. The financial market was active but volatile. Both Hang Seng Index and Hang Seng China Enterprises Index rose significantly and market turnover was boomed under “new normal” path following the rally A-share market. However, during the latter part of the reporting period, with reference to the unsatisfactory economic data announced, market sentiment seems to be waivered in further slow-down of economic growth rate, burst of valuation bubble and risk of deleveraging of the booming margin financing. The market reacted vigorously and significant adjustment on the financial market was encountered.

For the six months ended 30th June 2015, the Group achieved consolidated net profit attributable to shareholders of the Company of approximately HK\$91 million, representing an over 15 times growth from the corresponding period in 2014. This remarkable result was mainly driven by the satisfactory performance of the Financial Services Sector, marking with the significant market growth and business expansion, especially on securities brokerage and margin financing businesses. China Assets (Holdings) Limited (“China Assets”), a listed associate of the Group, also contributed significant growth during the reporting period. It was primarily due to the profit realised from disposal of part of its investment in a pharmaceutical company listed in Shanghai, Shandong LuKang Pharmaceutical Company Limited (“LuKang”). On the other hand, results of the Property and Hotel Sector continued to linger our overall performance due to slow sales of inventory of our property projects. The Group’s revenue was increased by 37% from approximately HK\$221 million in 2014 to approximately HK\$303 million for the six months ended 30th June 2015, attributable to expansion of securities brokerage and margin financing business. Total net assets of the Group raised by 4% from approximately HK\$3,285 million as at 31st December 2014 to approximately HK\$3,418 million as at 30th June 2015 due to the recognition of increase in valuation reserve of China Assets for an increase in fair value on its remaining shareholding in LuKang.

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

#### **Financial Services**

The Hong Kong financial market experienced a very volatile year in 2015. At the beginning of the year, worries about timing of an interest rate hike in the US and the slow-down economy in China, both Hang Seng Index and trading volume remained subdued, despite the gradual increase in trading activities through the Shanghai-Hong Kong Stock Connect. However, since April, amid the rally A-share market, Hang Seng Index hit a seven-year high of over 28,000 and closed at 26,250 on 30th June 2015. Daily market turnover and fund raising activities rose sharply with increment of 99% and 225% respectively for the first half of 2015.

During the reporting period, the Group seized the market opportunities with significant expansion of customer base and recorded notable increase in revenues from all aspects, including brokerage income, margin financing interest income and gain on securities investments. Operating results of the Financial Services Sector increased by 232% with boost in market turnover aligned with investors' optimism over the China economic reform and the market confidence with the rally A-share market. Income from margin financing business grew strongly driven by significant increase in margin loan portfolio at around 90% notwithstanding the market correction experienced since June 2015.

In the first half of 2015, our corporate finance division delivered a solid performance, with a focus on financial advisory deals. We acted as financial adviser to various Hong Kong listed companies, covering, among other transactions, an issuance of new shares and a very substantial disposal transaction. We also acted as the independent financial adviser for a variety of cases involving, such as (i) an acquisition from state-owned parent company of solar power and wind power generation business; (ii) an issuance of A shares; and (iii) a general offer. We continued to act as compliance advisers to a number of Hong Kong listed companies. We have several initial public offering and financial advisory cases, including but not limited to acting as a financial adviser in connection with a proposed privatisation of the H shares of an AH dual listed company, in the pipeline.

### **Property and Hotel**

During the reporting period, the Central Government continued to implement various monetary easing measures including reduction of interest rate and reserve requirement ratio. Market sentiment of the property industry was gradually improved with selling price stabilised in the first and second tier cities. However, situation at the third and fourth tier cities, of which most projects of the Group are located, remained constrained due to high inventory level and weak local demand.

For the first half of 2015, operating results was still dulled, despitess gradual stabilisation of property price which reduced fair value loss. During the reporting period, the Group focused on development of phase one of Huangshan project and the sales of property were behind budget. Revenue from property rental and hotel business remained steady, mainly attributed from Wuxi projects. Revenue from the golf club in Paris declined due to poor weather. Capital expenditure for property development projects incurred for the period was approximately HK\$51 million.

### **Direct Investment**

China Assets is the major investment of our Direct Investment Sector. During the first half of 2015, it has reported encouraging results with an increase in net profit of around 370% after recognition of profit realised from disposal of its partial investment in LuKang. The total net profit after tax attributable to the Group from China Asset was approximately HK\$27 million. The Group has also recognised approximately HK\$136 million on sharing of investment reserve in relation to the remaining portion of shareholding in LuKang held by China Assets.

### **Prospects**

Looking ahead, the global economy will remain moderate and uneven. In the face of uncertainty clouding the interest rate hike in the US and continuous deleveraging of the Chinese financial market, the economic downside risk of China will persist. The market will keep track with the effectiveness of policies introduced by the Central Government aimed at boosting the economy and stabilising the financial market. The recent reduction on interest rate and reserve requirement ratio will boost demand and avoid a hard landing for the Chinese economy. We expect the devaluation of Renminbi on 11th August 2015 will help export industries to be more competitive. It is expected that China will launch continuous fiscal and monetary reform in the second half of the year, including structural reform of the stock market and state-owned enterprises. The challenge for the Central Government will be to recover public trust in its ability to govern capital markets but refrain from intervening so dramatically in the future. Despite facing economic headwinds both in Hong Kong and mainland China, we remain conservatively optimistic with the long term prospects of the financial market and expect investment sentiment will be improved upon the launch of Shenzhen-Hong Kong Stock Connect.

Amid the intense competition, we expect squeezing on brokerage commission rate will pose continuous challenges to our business. We will continue to upgrade our online trading platform and enlarge target customer base. We will also maintain a cautious approach regarding the credit control of our margin financing business. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we will continue to enhance our service and strengthen our business platform for further expansion.

Despite impacts of the slowdown in the Chinese economy, the property market is coming out of the doldrums and is expected to stabilise. We expect the Central Government will embrace relatively market-oriented approach policies, leading to a healthier industrial growth. Nevertheless, investment in properties is still declining. Imbalances in demand and supply, structural surplus in capacity and high inventory levels will continue to restrain the property market. Therefore, inventory clearance will continue to be the primary focus of our property projects in Wuxi and Huangshan. The design of our property projects in Zhongshan and Paris was completed and the construction work will commence before the end of the year.

Regarding the Direct Investment Sector, we will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare sectors. We may also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

## Management Discussion and Analysis

### Financial results

For the six months ended 30th June 2015, the Group recorded a net profit attributable to shareholders of approximately HK\$91 million, representing an increase over 15 times over the corresponding period of 2014 of approximately HK\$5 million. Basic earnings per share attributable to the shareholders of the Company grew from HK0.39 cents in 2014 to HK6.52 cents in 2015. Revenue of the Group is approximately HK\$303 million, represents an increase of 37% over the same period of 2014.

### Material acquisitions, disposals and significant investments

During the period, the Group had no material acquisitions, disposals and significant investments.

### Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our property projects and financial services business. As at 30th June 2015, the Group had raised bank loans of approximately HK\$1,281 million (31st December 2014: HK\$386 million) and held approximately HK\$249 million (31st December 2014: HK\$372 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 37% (31st December 2014: 11.8%). Investment in "financial assets at fair value through profit or loss" as at 30th June 2015 amounted to approximately HK\$43 million (31st December 2014: HK\$34 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group has no significant exposure to other foreign exchange fluctuations.

#### **Pledge of assets**

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$643 million (31st December 2014: HK\$661 million) and fixed deposits of approximately HK\$15 million (31st December 2014: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$301 million (31st December 2014: HK\$316 million) had been utilised.

#### **Contingent liabilities**

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30th June 2015, total contingent liabilities relating to these guarantees amounted to approximately HK\$6 million (31st December 2014: HK\$6 million).

#### **Human resources**

As at 30th June 2015, the Group employed 654 (30th June 2014: 739) staff, of whom 509 are based in China. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the six months ended 30th June 2015 amounted to approximately HK\$113 million (30th June 2014: HK\$91 million).

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	<b>Unaudited Six months ended 30th June</b>	
		<b>2015 HK\$'000</b>	<b>2014 HK\$'000</b>
Revenue	5	<b>302,989</b>	220,535
Cost of sales		<b>(87,606)</b>	(100,939)
Gross profit		<b>215,383</b>	119,596
Other gains — net	6	<b>6,546</b>	1,661
Selling, general and administrative expenses		<b>(150,179)</b>	(122,285)
Operating profit/(loss)	5 and 7	<b>71,750</b>	(1,028)
Finance income	8	<b>7,399</b>	9,876
Finance costs	8	<b>(12,281)</b>	(7,567)
Finance (costs)/income — net	8	<b>(4,882)</b>	2,309
Share of results of			
— Associated companies		<b>27,246</b>	5,583
— Joint ventures		<b>5,388</b>	5,820
Profit before taxation		<b>99,502</b>	12,684
Taxation	10	<b>(11,759)</b>	(9,915)
Profit for the period		<b>87,743</b>	2,769
<b>Attributable to:</b>			
Shareholders of the Company		<b>91,292</b>	5,461
Non-controlling interests		<b>(3,549)</b>	(2,692)
		<b>87,743</b>	2,769
<b>Earnings per share attributable to shareholders of the Company</b>			
— Basic	11	<b>HK6.52 cents</b>	HK0.39 cents
— Diluted	11	<b>HK6.46 cents</b>	HK0.39 cents

The notes on pages 15 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b> <b>Six months ended 30th June</b>	
	<b>2015</b> <b>HK\$'000</b>	<b>2014</b> <b>HK\$'000</b>
Profit for the period	<b>87,743</b>	2,769
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
– Fair value loss on available-for-sale financial assets	(53,591)	(4,100)
– Exchange reserve realised upon disposal of a subsidiary	(5,764)	—
– Currency translation differences	(11,846)	(11,654)
– Share of post-acquisition reserves of an associated company	<b>136,033</b>	(6,186)
Other comprehensive income/(loss) for the period, net of tax	<b>64,832</b>	(21,940)
Total comprehensive income/(loss) for the period	<b>152,575</b>	(19,171)
<b>Attributable to:</b>		
Shareholders of the Company	156,059	(15,709)
Non-controlling interests	(3,484)	(3,462)
	<b>152,575</b>	(19,171)

The notes on pages 15 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
<b>Non-current assets</b>			
Intangible assets	13	2,126	2,126
Property, plant and equipment	13	399,837	426,096
Investment properties	13	452,576	453,603
Leasehold land and land use rights	13	51,407	52,256
Investments in associated companies		514,253	351,152
Investments in joint ventures		255,545	250,074
Deferred tax assets		12,546	13,120
Available-for-sale financial assets		460,147	513,738
Loans and advances		8,252	7,925
<b>Total non-current assets</b>		<b>2,156,689</b>	<b>2,070,090</b>
<b>Current assets</b>			
Inventories	14	706,184	664,055
Loans and advances		1,827,263	977,113
Trade receivables	15	666,209	238,250
Other receivables, prepayments and deposits		75,502	142,543
Tax recoverable		11,412	6,838
Financial assets at fair value through profit or loss		42,680	33,732
Deposits with banks		2,895	7,584
Client trust bank balances		2,384,829	1,656,587
Cash and cash equivalents		245,840	364,075
<b>Total current assets</b>		<b>5,962,814</b>	<b>4,090,777</b>
<b>Current liabilities</b>			
Trade and other payables	16	3,313,610	2,392,289
Tax payable		50,688	35,970
Borrowings	17	1,007,931	101,550
<b>Total current liabilities</b>		<b>4,372,229</b>	<b>2,529,809</b>
<b>Net current assets</b>		<b>1,590,585</b>	<b>1,560,968</b>

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
<b>Total assets less current liabilities</b>		<b>3,747,274</b>	<b>3,631,058</b>
Non-current liabilities			
Deferred tax liabilities		56,192	61,245
Borrowings	17	272,631	284,862
<b>Total non-current liabilities</b>		<b>328,823</b>	<b>346,107</b>
<b>Net assets</b>		<b>3,418,451</b>	<b>3,284,951</b>
Equity			
Share capital	18	1,148,047	1,145,005
Reserves		2,187,192	2,063,006
Capital and reserves attributable to the Company's shareholders		3,335,239	3,208,011
Non-controlling interests		83,212	76,940
<b>Total equity</b>		<b>3,418,451</b>	<b>3,284,951</b>

The notes on pages 15 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b> <b>Six months ended 30th June</b>	
	<b>2015</b> HK\$'000	<b>2014</b> HK\$'000
<b>Cash flows from operating activities</b>		
Net cash outflow from operating activities	(942,141)	(284,269)
Hong Kong profits tax paid	—	(24)
Overseas taxation paid	(5,294)	(4,539)
Net cash used in operating activities	<b>(947,435)</b>	<b>(288,832)</b>
<b>Cash flows from investing activities</b>		
Interest received	7,468	8,769
Purchase of property, plant and equipment	(7,560)	(13,695)
Addition for investment properties	—	(155)
Purchase of available-for-sale financial assets	(60,406)	—
Proceeds from disposal of property, plant and equipment	36	70
Net cash inflow in respect of the disposal of a subsidiary	—	1,611
Dividends received from a joint venture	—	6,295
Balance receipts for disposal of subsidiaries	5,723	—
Decrease in deposits with banks	4,689	29
Net cash (used in)/generated from investing activities	<b>(50,050)</b>	<b>2,924</b>
<b>Cash flows from financing activities</b>		
Interest paid	(15,614)	(11,110)
Proceeds from borrowings	979,400	402,000
Repayments of borrowings	(85,700)	(82,976)
Dividend paid to non-controlling interests	—	(7,181)
Issue of new shares on exercise of share options	1,950	—
Net cash generated from financing activities	<b>880,036</b>	<b>300,733</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		
Cash and cash equivalents at 1st January	(117,449)	14,825
Exchange differences	364,075	318,617
	(786)	(1,873)
<b>Cash and cash equivalents at 30th June</b>	<b>245,840</b>	<b>331,569</b>

The notes on pages 15 to 32 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited										
	Attributable to shareholders of the Company								Non-controlling interests	Total	
	Employee share-based compensation		Capital reserve		Assets revaluation		Investment revaluation		Exchange fluctuation		
	Share capital HK\$'000	Share reserve HK\$'000	Capital reserve HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2015	1,145,005	39,968	305,703	12,334	453,332	135,359	1,116,310	76,940	3,284,951		
Total comprehensive income for the period ended 30th June 2015	—	—	136,033	—	(53,591)	(17,675)	91,292	(3,484)	152,575		
Issue of new shares on exercise of share options	3,042	(1,092)	—	—	—	—	—	—	—	1,950	
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	—	—	(9,756)	9,756	—		
Dividend paid	—	—	—	—	—	—	(21,025)	—	(21,025)		
	3,042	(1,092)	—	—	—	—	(30,781)	9,756	(19,075)		
At 30th June 2015	1,148,047	38,876	441,736	12,334	399,741	117,684	1,176,821	83,212	3,418,451		
Unaudited											
Attributable to shareholders of the Company										Non- controlling interests	
Employee share-based compensation		Capital redemption reserve		Assets revaluation		Investment revaluation		Exchange fluctuation		Total	
Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2014	279,783	849,536	40,458	248,262	14,006	12,334	141,304	162,730	906,338	92,784	2,747,535
Total comprehensive loss for the period ended 30th June 2014	—	—	—	(6,186)	—	—	(4,100)	(10,884)	5,461	(3,462)	(19,171)
Dividend paid	—	—	—	—	—	—	—	—	—	(7,181)	(7,181)
Transition to no-par value regime on 3rd March 2014	863,542	(849,536)	—	—	(14,006)	—	—	—	—	—	—
	863,542	(849,536)	—	—	(14,006)	—	—	—	—	(7,181)	(7,181)
At 30th June 2014	1,143,325	—	40,458	242,076	—	12,334	137,204	151,846	911,799	82,141	2,721,183

The notes on pages 15 to 32 form an integral part of this condensed consolidated financial information.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. General information

First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

This unaudited condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated financial information was approved for issue by the Board on 28th August 2015.

## 2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30th June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2014, as described in those annual financial statements.

- (a) There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.
- (b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

### 3. Accounting policies (continued)

- (c) The following Standards and amendments to existing Standards have been issued but are not effective for financial year beginning 1st January 2015 and have not been early adopted:

	Effective for accounting periods beginning on or after
– HKAS 1 (Amendment)	1st January 2016
– HKAS 16 and 38 (Amendment)	1st January 2016
– HKAS 16 and 41 (Amendment)	1st January 2016
– HKAS 27 (Amendment)	1st January 2016
– HKAS 28 and HKFRS 10 (Amendment)	1st January 2016
– HKAS 28 (2011), HKFRS 10 and 12 (Amendment)	1st January 2016
– HKFRS 9	1st January 2018
– HKFRS 11 (Amendment)	1st January 2016
– HKFRS 14	1st January 2016
– HKFRS 15	1st January 2017
– Annual Improvement Projects	1st July 2016
Disclosure Initiative; Clarification of Acceptable Methods of Depreciation and Amortisation; Agriculture: Bearer Plants;	1st January 2016
Equity Method in Separate Financial Statements;	1st January 2016
Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture;	1st January 2016
Investment Entities: Applying the Consolidation Exception;	1st January 2016
Financial Instruments;	1st January 2018
Acquisitions of Interests in Joint Operation;	1st January 2016
Regulatory Deferral Accounts;	1st January 2016
Revenue from Contracts with Customers; and	1st January 2017
Improvements to HKASs and HKFRSs 2012–2014 Cycle	1st July 2016

The Group has already commenced an assessment of the related impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether the above amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

#### **4. Estimates**

The preparation of unaudited condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2014.

#### **5. Segment information**

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Securities investment
- Corporate finance and stockbroking
- Property development
- Property investment and hotel
- Direct investment

The Board assesses the performance of the operating segments based on a measure of segment results and share of results of associated companies and joint ventures.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash.

## 5. Segment information (continued)

The unaudited segment results of the Group for the six months ended 30th June 2015 are as follows:

	Unaudited					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Revenue	8,402	231,215	1,775	58,941	2,656	302,989
Segment results	13,425	108,698	(12,260)	(17,530)	(4,996)	87,337
Unallocated net operating expenses						(15,587)
Operating profit						71,750
Finance costs – net						(4,882)
Share of results of						
– Associated companies	–	–	–	–	27,246	27,246
– Joint ventures	–	–	–	5,741	(353)	5,388
Profit before taxation						99,502

*Note: There were no sales or other transactions among the operating segments.*

The unaudited segment results of the Group for the six months ended 30th June 2014 are as follows:

	Unaudited					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Revenue	(5,749)	104,585	12,520	61,753	47,426	220,535
Segment results	(5,179)	41,963	(10,784)	(9,898)	(1,077)	15,025
Unallocated net operating expenses						(16,053)
Operating loss						(1,028)
Finance income – net						2,309
Share of results of						
– Associated companies	–	–	–	–	5,583	5,583
– Joint ventures	–	–	–	5,222	598	5,820
Profit before taxation						12,684

*Note: There were no sales or other transactions among the operating segments.*

## 5. Segment information (continued)

The unaudited segment assets of the Group as at 30th June 2015 are as follows:

	Unaudited					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Segment assets	41,629	5,003,713	785,571	919,935	506,293	7,257,141
Investments in associated companies	—	—	—	—	514,253	514,253
Investments in joint ventures	—	—	—	213,474	42,071	255,545
Tax recoverable						11,412
Deferred tax assets						12,546
Corporate assets						68,606
Total assets						8,119,503

The audited segment assets of the Group as at 31st December 2014 are as follows:

	Audited					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Segment assets	44,907	3,048,657	750,511	952,422	572,066	5,368,563
Investments in associated companies	—	—	—	—	351,152	351,152
Investments in joint ventures	—	—	—	207,664	42,410	250,074
Tax recoverable						6,838
Deferred tax assets						13,120
Corporate assets						171,120
Total assets						6,160,867

## 6. Other gains – net

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Gain on disposal of interests in subsidiaries	5,764	448
Fair value (losses)/gains on investment properties	(6,682)	2,080
Net foreign exchange gain/(loss)	7,464	(867)
	<b>6,546</b>	<b>1,661</b>

## 7. Operating profit/(loss)

The following items have been charged to the operating profit/(loss) during the interim period:

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
<b>Charging:</b>		
Depreciation	19,996	24,794
Amortisation of leasehold land and land use rights	856	883
Staff costs (Note 9)	<b>113,478</b>	<b>91,258</b>

## 8. Finance (costs)/income – net

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Finance income	7,399	9,876
Finance costs		
– Interest on loans and overdrafts	(15,287)	(11,110)
– Less: amounts capitalised as qualifying assets	3,006	3,543
Total finance costs	<b>(12,281)</b>	<b>(7,567)</b>
Finance (costs)/income – net	<b>(4,882)</b>	<b>2,309</b>

## 9. Staff costs

Staff costs, including directors' remuneration, comprise:

	Unaudited	Six months ended 30th June	
	2015	2014	
	HK\$'000	HK\$'000	
Wages, salaries and allowances	102,908	76,476	
Retirement benefit costs	5,721	9,606	
Other employee benefits	4,849	5,176	
	<b>113,478</b>	<b>91,258</b>	

## 10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited	Six months ended 30th June	
	2015	2014	
	HK\$'000	HK\$'000	
Hong Kong profits tax			
– Current	14,737	6,044	
– Over-provision in previous years	—	(10)	
Overseas profits tax			
– Current	675	2,696	
– (Over)/under-provision in previous years	(52)	93	
Land appreciation tax	75	—	
Deferred taxation	(3,676)	1,092	
Taxation charge	<b>11,759</b>	<b>9,915</b>	

## 11. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$91,292,000 (2014: HK\$5,461,000). The basic earnings per share is based on the weighted average number of 1,400,939,255 (2014: 1,398,913,012) shares in issue during the period.

The Company has share options outstanding during the period which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 11,808,264 (2014: 3,708,682) dilutive potential ordinary shares.

## 12. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2015 (2014: Nil).

## 13. Capital expenditure

	Unaudited			
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2015	2,126	426,096	453,603	52,256
Additions	—	5,739	—	—
Transfer from inventories	—	—	5,540	—
Fair value losses	—	—	(6,682)	—
Disposals	—	(42)	—	—
Depreciation and amortisation (Note 7)	—	(19,996)	—	(856)
Exchange differences	—	(11,960)	115	7
Net book value at 30th June 2015	2,126	399,837	452,576	51,407

### 13. Capital expenditure (continued)

	Unaudited			
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at				
1st January 2014	13,757	535,253	436,768	54,114
Additions	—	13,695	155	—
Transfer from inventories	—	—	23,618	—
Fair value gains	—	—	2,080	—
Disposal of a subsidiary	—	(139)	—	—
Disposals	—	(158)	—	—
Depreciation and amortisation (Note 7)	—	(24,794)	—	(883)
Exchange differences	(139)	(5,089)	(3,613)	(289)
Net book value at				
30th June 2014	13,618	518,768	459,008	52,942

### 14. Inventories

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Properties under development	460,078	410,917
Properties held for sale	244,935	252,099
Other inventories	1,171	1,039
	<b>706,184</b>	<b>664,055</b>

## 15. Trade receivables

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Due from stockbrokers and clearing houses	382,772	71,339
Due from stockbroking clients	279,805	162,644
Trade receivables	<b>20,120</b>	20,773
	<b>682,697</b>	254,756
Provision for impairment	<b>(16,488)</b>	(16,506)
	<b>666,209</b>	238,250

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables is approximately the same as the carrying value.

The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

At 30th June 2015 and 31st December 2014, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
0–30 days	664,995	236,512
31–60 days	502	1,299
61–90 days	357	367
Over 90 days	355	72
	<b>666,209</b>	238,250

## 16. Trade and other payables

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Due to stockbrokers and dealers	46,376	12,957
Due to stockbroking clients	2,917,828	2,023,245
Trade payables	152,927	128,519
Total trade payables	<b>3,117,131</b>	2,164,721
Advance receipts from customers	7,465	3,653
Accruals and other payables	189,014	223,915
	<b>3,313,610</b>	2,392,289

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the Group's trade and other payables are approximately the same as the carrying values.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK\$2,384,829,000 (31st December 2014: HK\$1,656,587,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

## 16. Trade and other payables (continued)

At 30th June 2015 and 31st December 2014, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
0–30 days	140,275	113,881
31–60 days	3,893	2,453
61–90 days	1,322	4,156
Over 90 days	7,437	8,029
	<b>152,927</b>	<b>128,519</b>

## 17. Borrowings

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
<b>Bank loans – secured</b>		
Non-current	272,631	284,862
Current	1,007,931	101,550
	<b>1,280,562</b>	<b>386,412</b>

As at 30th June 2015, the Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$643 million (31st December 2014: HK\$661 million) and fixed deposits of approximately HK\$15 million (31st December 2014: HK\$15 million).

As at 30th June 2015, bank loans of HK\$979 million (31st December 2014: HK\$70 million) were secured by certain listed securities pledged by the customers to the Group as margin loan collateral which had an aggregate fair value amounting to HK\$2,298 million (31st December 2014: HK\$314 million).

## 17. Borrowings (continued)

Bank borrowings are either repayable on demand or will mature and be repayable during September 2015 to June 2021 and bear floating interest rates. The weighted average effective interest rate at 30th June 2015 was 2.78% (31st December 2014: 5.54%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$979 million (31st December 2014: HK\$80 million) and HK\$301 million (31st December 2014: HK\$306 million) are denominated in Hong Kong dollars and Renminbi, respectively.

## 18. Share capital

	Unaudited 30th June 2015		Audited 31st December 2014	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1st January 2015 and 2014	1,400,663	1,145,005	1,398,913	279,783
Transition to no-par value regime on 3rd March 2014 (Note (a))	—	—	—	863,542
Exercise of share options (Note (b))	1,000	3,042	1,750	1,680
At 30th June 2015 and 31st December 2014	1,401,663	1,148,047	1,400,663	1,145,005

Notes:

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3rd March 2014, any amount standing to the credit of the share premium and capital redemption reserve have become part of the Company's share capital.
- (b) During the period, 1,000,000 (31st December 2014: 1,750,000) new shares were issued upon exercise of options under the Employee Option Scheme adopted by the Company on 24th May 2002 at exercise price HK\$1.95 (31st December 2014: HK\$0.68) per share. These shares rank pari passu in all respects with the existing shares of the Company. The related weighted average share price at the time of exercise was HK\$2.41 (31st December 2014: HK\$1.61) per share.

## 19. Commitments

- (a) Capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Contracted but not provided for	376,308	415,352
Authorised but not contracted	772,375	793,183

- (b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Not later than one year	18,340	19,577
Later than one year but not later than five years	37,994	37,846
More than five years	6,899	9,442
	<b>63,233</b>	<b>66,865</b>

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Not later than one year	7,519	8,972
Later than one year but not later than five years	5,405	4,224
	<b>12,924</b>	<b>13,196</b>

## 20. Contingent liabilities

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties <i>(Note)</i>	<b>5,960</b>	5,958

Note: The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

## 21. Related party transactions

During the period, the Group had no material transactions with related parties. The key management compensation is disclosed as follows:

	Unaudited Six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Fees	810	810
Salaries and other employee benefits	4,274	4,132
Retirement benefit costs	362	350
	<b>5,446</b>	5,292

## 22. Financial risk management

### 22.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk).

## 22. Financial risk management (continued)

### 22.1 Financial risk factors (continued)

This unaudited condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2014.

There have been no changes in the risk management responsible departments since year end or in any risk management policies.

### 22.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the unaudited Group's financial assets that are measured at fair value at 30th June 2015.

	Unaudited			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
— listed securities	37,630	—	—	37,630
— unlisted securities	—	—	5,050	5,050
Available-for-sale financial assets				
— unlisted securities	—	460,147	—	460,147
	37,630	460,147	5,050	502,827

## 22. Financial risk management (continued)

### 22.2 Fair value estimation (continued)

The following table presents the audited Group's financial assets that are measured at fair value at 31st December 2014.

	Audited			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
– listed securities	28,682	–	–	28,682
– unlisted securities	–	–	5,050	5,050
Available-for-sale financial assets				
– unlisted securities	–	513,738	–	513,738
	<u>28,682</u>	<u>513,738</u>	<u>5,050</u>	<u>547,470</u>

For the six months ended 30th June 2015, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

For the six months ended 30th June 2015, there were no reclassifications of financial assets.

### 22.3 Fair value measurement using significant unobservable inputs (Level 3)

For the six months ended 30th June 2015, there were no movements in level 3 financial assets.

The following table presents the movements of unaudited Group's level 3 financial assets for the six months ended 30th June 2014.

	Financial assets at fair value through profit or loss HK\$'000	Available-for-sale financial assets HK\$'000
Opening balance at 1st January 2014	5,050	657
Exchange difference	–	(10)
Closing balance at 30th June 2014	5,050	647

**22. Financial risk management (continued)**

**22.3 Fair value measurement using significant unobservable inputs (Level 3) (continued)**

There were no gains or losses recognised in the condensed consolidated income statement.

The fair values were based on the net assets value of the investments.

There were no other changes in valuation techniques during the period.

**22.4 Group's valuation processes**

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values, and reports, discusses and explains the reasons for the fair value movements to the Chief Financial Officer at least for each reporting dates.

The main Level 3 input used by the Group was the net assets value, which approximates to their fair values, of the investments.

The fair values of the following financial assets and liabilities approximate to their carrying amounts:

- loans and advances;
- trade receivables;
- other receivables and deposits;
- deposits with banks, client trust bank balances and cash and cash equivalents;
- trade and other payables; and
- borrowings.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests in the Shares and Underlying Shares of the Company or any Associated Corporation

At 30th June 2015, the interests of each directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

#### (a) Interests in respect of the Company:

Directors	Number of shares and underlying shares held			% of issued share capital	
	Personal interests	Corporate interests	Total	of the Company	
Mr. LO Yuen Yat (Note)	Long position 108,349,636	72,952,000	181,301,636	12.93%	
Mr. XIN Shulin	Long position 8,032,000	—	8,032,000	0.57%	
Mr. YEUNG Wai Kin	Long position 19,904,304	—	19,904,304	1.42%	
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	Long position 1,000,000	—	1,000,000	0.07%	
Prof. WOO Chia-Wei	Long position 1,000,000	—	1,000,000	0.07%	
Mr. LIU Ji	Long position 500,000	—	500,000	0.04%	
Mr. ZHOU Xiaohe	Long position 160,000	—	160,000	0.01%	

No directors and chief executives have any interest of short positions in any share or underlying shares of the Company.

Note: 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

## DISCLOSURE OF INTERESTS

### (b) Interests in respect of an associated corporation:

Directors	Number of shares and underlying shares held			% of issued share capital of the associated corporation	
	Personal interests	Total			
Mr. LO Yuen Yat	China Assets	Long position	975,000	975,000	1.27%
Mr. YEUNG Wai Kin	China Assets	Long position	850,000	850,000	1.11%

Saved as disclosed above, at no time during the period, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

### Share Options

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the “2002 Scheme”) to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Due to the expiry of the 2002 Scheme, the shareholders of the Company approved a new share option scheme (the “2014 Scheme”) on 23rd May 2014. No share options were granted under the 2014 Scheme during the period. The purpose of the 2014 Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 2014 Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company. The 2014 Scheme will remain in force for a period of 10 years from the date of adoption.

Movement of share options during the six months ended 30th June 2015 is as follows:

	Options held at 1st January 2015	Options exercised during the period	Options held at 30th June 2015	Exercise price HK\$	Date of grant	Exercise period	Vesting period
<b>Directors:</b>							
Mr. LO Yuen Yat	11,944,000	–	11,944,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. XIN Shulin	8,032,000	–	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YEUNG Wai Kin	11,810,000	–	11,810,000	0.564	30/11/2005	30/05/2006–29/11/2015	30/11/2005–29/05/2006
	8,032,000	–	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Prof. WOO Chia-Wei	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. LIU Ji	500,000	–	500,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YU Qihao	1,000,000	(1,000,000)	–	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Employees	5,500,000	–	5,500,000	0.680	03/03/2006	03/03/2008–02/03/2016	03/03/2006–02/03/2008
	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
	<u>49,818,000</u>	<u>(1,000,000)</u>	<u>48,818,000</u>				

Notes:

- (a) During the period, 1,000,000 share options were exercised under the 2002 Scheme with an exercise price of HK\$1.95 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$2.38 per share. No share options were granted or lapsed under the 2002 Scheme and the 2014 Scheme during the six months ended 30th June 2015.
- (b) No share options granted under the 2002 Scheme were cancelled during the six months ended 30th June 2015.
- (c) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2014.

### Substantial Shareholders' Interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2015, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Corporate interests	Other interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	–	–	247,674,500	–	247,674,500	17.67%
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note 2 & 3)	Long position	56,008,000	12,432,000	5,568,000	63,640,000	137,648,000	9.82%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note 2 & 3)	Long position	12,432,000	56,008,000	5,568,000	63,640,000	137,648,000	9.82%

Notes:

- (1) China Assets is a Hong Kong listed company, which is also an associated company of the Group.
- (2) 5,568,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.
- (3) 63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.

### Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited during the period.

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2015 (2014: Nil).

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Compliance with Code on Corporate Governance Practices

The Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the “CG Code”) of the Listing Rules throughout the period, except for the deviation from code provision A.2.1 of the CG Code.

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

### Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

### Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The Remuneration Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

### Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive director, Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee was set up to ensure proper financial reporting and internal control principles are in place and follow.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited consolidated interim results for the six months ended 30th June 2015 for approval by the Board.

### Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2015.

By order of the Board

**LO Yuen Yat**

*Chairman*

Hong Kong, 28th August 2015