



INTERIM  
REPORT  
2014



第一上海

FIRST SHANGHAI GROUP

**First Shanghai Investments Limited**

(Stock Code : 227)

50<sup>th</sup>  
anniversary



The Group is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2013 with continuous support to their conservation and education work. Besides making charitable donations, the Group has also taken part in various programs held by WWF-Hong Kong.



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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 Xiaohu

### COMPANY SECRETARY

Mr. YEUNG Wai Kin

### REGISTERED OFFICE

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71 Des Voeux Road Central

Hong Kong

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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, associated companies and joint ventures (together, the “Group”) for the six months ended 30th June 2014 together with the comparative figures for the corresponding period last year.

### **Business Overview**

In the first half of the reporting year, the US and European stock markets rose to historical or multi-year highs with economy returned to slow but stable growth. However, investor sentiment was fragile with worries about the tapering of quantitative easing by the US and the uncertain outlook of the euro zone economies. The market is sensitive to news about the pullback of stimulus and interest rate policy changes from the US Federal Reserve Bank. In China, the Central Government continued to pursue economic reforms and structural adjustments. The growth of China’s GDP decelerated slightly, and market sentiment was weakened with increasing worries on credit and liquidity risk of the banking system. The volatility of the Hong Kong stock market remained low during the period under review, but the market continued to face risks stemming from the China and overseas markets. During the first half of 2014, the Hong Kong stock market has underperformed most major markets, with the Hang Seng Index dropped 0.5%. The average daily turnover amounted to HK\$62.9 billion, 8% lower compared with HK\$68.3 billion for the first half of 2013.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK\$5 million for the six months ended 30th June 2014, representing a reduction of 75% as compared with the corresponding period in 2013. Such decrease was mainly attributable to the loss recorded from securities investment of approximately HK\$5 million in 2014, as compared with a profit of approximately HK\$14 million reported in 2013. In addition, the Group has recognised a one-off disposal gain of an equity investment amounted to approximately HK\$12 million in 2013, while no such profit was reported this year. These factors have been partially off-set by the decrease in operating and property revaluation loss reported by our property development and investment sector. The Group recorded revenue of approximately HK\$221 million, similar to the corresponding period of 2013. Total net assets of the Group dropped slightly by 1% from approximately HK\$2,748 million as at 31st December 2013 to approximately HK\$2,721 million as at the reporting date.

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.

## MANAGEMENT COMMENTARY

### Financial Services

During the reporting period, the trading activity in the Hong Kong stock market was moderate and Mainland stocks remained the most actively traded stocks, accounting for 54% of total market turnover. Hang Seng Index opened at 23,306 and closed at 23,190. There were 52 IPOs raising a total of more than HK\$80 billion during the period.

The Group has recorded moderate growth from both brokerage and margin financing businesses. We have upgraded our securities trading system to improve our multimarket internet brokerage service. Operating results of Financial Services Sector improved by 15% with increase in income from securities brokerage and underwriting and placing business. However, performance of securities investment was unsatisfactory, reported a loss of approximately HK\$5 million, compared with a profit of HK\$14 million in the corresponding year of 2013.

In the first half of 2014, our corporate finance division delivered a solid performance. We have a pipeline of IPO mandates and provided financial advisory services to various Hong Kong listed companies on, among other matters, merger and acquisition and fund raising. We were also retained as compliance advisers to a number of newly listed companies in Hong Kong.

### Property and Hotel

The Central Government was determined to pursue structural reforms in all aspects. Market sentiment has been cooled down with worries of hard landing of the Chinese economy. There were increasing signs showing the property market has entered into a real phase of correction. The structural imbalance of demand and supply in certain regions became apparent. Both transaction price and volume were hindered with the tightened market liquidity. Most regions where the Group's development projects located were adversely affected, and hence performance of our Property Sector remains unsatisfactory. Operating results for the period under review was still in a loss situation, despite revaluation loss on market price has been reduced. To map out way of improvement, the Group will continue to adjust its product mix and market location.

In the first half of 2014, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 1,716 square meters and HK\$13 million respectively. Capital expenditure for property projects incurred for the period was approximately HK\$80 million. Development of Phase A of our Huangshan residential project will be completed in early 2015, and the properties was put to the market for pre-sale in August 2014.

### Direct Investment

China Assets, the major investment of our Direct Investment Sector, sold part of its shareholding in an associated company, Shanghai International Medical Centre Investment Management Company Limited, with a realised gain of approximately US\$4 million. China Assets also recovered a bad debt that has been previously provided. During the reporting period, the Group shared net profit after tax of approximately HK\$6 million from China Assets, compared with approximately HK\$7 million in the corresponding period of 2013.

### Prospects

We believe the macroeconomic environment will continue to face with challenges, coupled with the expected rise in interest rates and the risks involved in the flow of capital funds among developed and emerging countries. However, with signs showing that the Central Government is striving to maintain a balance between pursuing steady growth and economic reforms, and the Central Government's determination in Renminbi internationalization, we expect the economic environment will be gradually strengthened entering into the second half of 2014. With the expected launch of the "Shanghai-Hong Kong Stock Connect" in October 2014, we believe Hong Kong financial market will be benefited with the improvement in market sentiment and increasing market activities.

With intense competition in the market, we expect gradual squeezing on net commission rate in the coming years. However, with the launch of the "Shanghai-Hong Kong Stock Connect" in around October 2014, the business of our Financial Services Sector will be benefited with the increase in market turnover and improvement of market sentiment. To safeguard a healthy development, we will continue to be aligned with diversified product deployment, enhancing our online trading platform, strengthening our research team and expanding our wealth management business.

Given strong 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 devote to further expand our business in the financial market. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to capture business opportunities, broaden its client base and strengthen its market niche.

## MANAGEMENT COMMENTARY

Despite the property market has to face a period of difficult reform time, the trend to reduce administrative intervention and embrace a market-oriented policy approach by the Central Government will lead to a healthier industrial growth in the long run. We will actively respond to market changes and make timely adjustments to our development plan. Given sales of Phase A of Huangshan residential project is satisfactory and construction of Phase B will be completed in mid 2015. We expect the performance of the Property Sector will be improved soon.

We remain positive about the economic outlook of China. Regarding the Direct Investment Sector, we will continue to look for investment opportunities in China with focus in pharmaceutical and healthcare sector. And with the increase in investment projects seeded by our investment vehicle, China Assets, we are confident that this Sector will lay a fruitful foundation to the Group. We will 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 2014, the Group recorded a net profit and basic earnings per share attributable to shareholders of the Company amounting to approximately HK\$5 million (2013: HK\$22 million) and HK0.39 cents (2013: HK1.56 cents) respectively. Revenue of the Group was approximately HK\$221 million, which maintained at similar level over the same period of 2013.

#### 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 relies principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our various property projects and our financial services business. As at 30th June 2014, the Group had raised bank loans of approximately HK\$707 million (31st December 2013: HK\$390 million) and held approximately HK\$335 million (31st December 2013: HK\$322 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 26% (31st December 2013: 14.2%). Investment in "financial assets at fair value through profit or loss" as at 30th June 2014 amounted to approximately HK\$78 million (31st December 2013: HK\$83 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will maintain in a stable pattern for the remaining period of 2014. 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\$666 million (31st December 2013: HK\$676 million) and fixed deposits of approximately HK\$15 million (31st December 2013: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$305 million (31st December 2013: HK\$390 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 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 2014, there was no contingent liabilities relating to these guarantees (31st December 2013: HK\$1 million).

### Human resources

As at 30th June 2014, the Group employed 739 (30th June 2013: 741) staff, of whom 526 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 benefit/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 2014 amounted to approximately HK\$91 million (30th June 2013: HK\$84 million).

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2014 HK\$'000	2013 HK\$'000
Revenue	5	220,535	221,173
Cost of sales		(100,939)	(97,538)
Gross profit		119,596	123,635
Other gains/(losses) — net	6	1,661	(1,702)
Selling, general and administrative expenses		(122,285)	(110,734)
Operating (loss)/profit	5 and 7	(1,028)	11,199
Finance income	8	9,876	7,265
Finance costs	8	(7,567)	(7,963)
Finance income/(costs) — net	8	2,309	(698)
Share of profits less losses of			
— Associated companies		5,583	6,001
— Joint ventures		5,820	4,873
Profit before taxation		12,684	21,375
Taxation	10	(9,915)	2,627
Profit for the period		2,769	24,002
<b>Attributable to:</b>			
Shareholders of the Company		5,461	21,858
Non-controlling interests		(2,692)	2,144
		2,769	24,002
<b>Earnings per share attributable to shareholders of the Company</b>			
— Basic	11	HK0.39 cents	HK1.56 cents
— Diluted	11	HK0.39 cents	HK1.56 cents

The notes on pages 14 to 30 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>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<b>2,769</b>	24,002
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
– Fair value (loss)/gain on available-for-sale financial assets	<b>(4,100)</b>	505
– Capital reserve realised upon disposal of subsidiaries	–	(290)
– Currency translation differences	<b>(11,654)</b>	12,334
– Share of post-acquisition reserves of an associated company	<b>(6,186)</b>	(7,811)
Other comprehensive (loss)/income for the period, net of tax	<b>(21,940)</b>	4,738
Total comprehensive (loss)/income for the period	<b>(19,171)</b>	28,740
<b>Attributable to:</b>		
Shareholders of the Company	<b>(15,709)</b>	25,437
Non-controlling interests	<b>(3,462)</b>	3,303
	<b>(19,171)</b>	28,740

The notes on pages 14 to 30 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2014 HK\$'000	Audited 31st December 2013 HK\$'000
	Note		
<b>Non-current assets</b>			
Intangible assets	13	13,618	13,757
Property, plant and equipment	13	518,768	535,253
Investment properties	13	459,008	436,768
Leasehold land and land use rights	13	52,942	54,114
Investments in associated companies		279,438	279,921
Investments in joint ventures		242,168	244,972
Deferred tax assets		14,888	15,184
Available-for-sale financial assets		138,823	142,932
Loans and advances		11,304	10,856
<b>Total non-current assets</b>		<b>1,730,957</b>	<b>1,733,757</b>
<b>Current assets</b>			
Properties under development		316,408	246,824
Properties held for sale		262,780	303,034
Inventories		7,859	8,405
Loans and advances		910,194	538,806
Trade receivables	14	442,450	242,042
Other receivables, prepayments and deposits		58,248	67,753
Tax recoverable		338	948
Financial assets at fair value through profit or loss		77,804	82,750
Deposits with banks		3,003	3,032
Client trust bank balances		1,705,908	1,400,313
Cash and cash equivalents		331,569	318,617
<b>Total current assets</b>		<b>4,116,561</b>	<b>3,212,524</b>
<b>Current liabilities</b>			
Trade and other payables	15	2,301,204	1,693,375
Tax payable		41,047	37,725
Borrowings	16	407,669	82,976
<b>Total current liabilities</b>		<b>2,749,920</b>	<b>1,814,076</b>
<b>Net current assets</b>		<b>1,366,641</b>	<b>1,398,448</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
<b>Total assets less current liabilities</b>		<b>3,097,598</b>	3,132,205
<b>Non-current liabilities</b>			
Deferred tax liabilities		69,608	69,008
Retirement benefit obligations		7,948	8,221
Borrowings	16	298,859	307,441
<b>Total non-current liabilities</b>		<b>376,415</b>	384,670
<b>Net assets</b>		<b>2,721,183</b>	2,747,535
<b>Equity</b>			
Share capital: nominal value	17	—	279,783
Other statutory capital reserves		—	863,542
Share capital and other statutory capital reserves	17	1,143,325	1,143,325
Reserves		1,495,717	1,511,426
Capital and reserves attributable to the Company's shareholders		2,639,042	2,654,751
Non-controlling interests		82,141	92,784
<b>Total equity</b>		<b>2,721,183</b>	2,747,535

The notes on pages 14 to 30 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash (outflow)/inflow from operating activities	(284,269)	99,469
Hong Kong profits tax paid	(24)	—
Overseas taxation paid	(4,539)	(1,692)
Net cash (used in)/generated from operating activities	(288,832)	97,777
<b>Cash flows from investing activities</b>		
Interest received	8,769	7,610
Purchase of property, plant and equipment	(13,695)	(1,810)
Purchase of investment properties	(155)	—
Proceeds from disposal of property, plant and equipment	70	125
Proceeds from disposal of investment properties	—	950
Acquisition of a subsidiary	—	(149,137)
Net cash inflow in respect of the disposal of a subsidiary	1,611	—
Dividends received from a joint venture	6,295	8,737
Receipt of loans repayment from third parties	—	6,939
Other investing cash flow — net	29	(2,414)
Net cash generated from/(used in) investing activities	2,924	(129,000)
<b>Cash flows from financing activities</b>		
Interest paid	(11,110)	(7,894)
Proceeds from borrowings	402,000	67,000
Repayments of borrowings	(82,976)	(6,166)
Dividend paid to non-controlling interests	(7,181)	—
Net cash generated from financing activities	300,733	52,940
<b>Net increase in cash and cash equivalents</b>	14,825	21,717
Cash and cash equivalents at 1st January	318,617	326,668
Exchange differences	(1,873)	250
<b>Cash and cash equivalents at 30th June</b>	331,569	348,635

The notes on pages 14 to 30 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			Capital	Assets	Investment	Exchange	Retained			
	Share capital	Share premium	compensation reserve	Capital reserve	redemption reserve	revaluation reserve	revaluation reserve	fluctuation reserve	earnings		
HK\$'000	HK\$'000	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

	Unaudited										
	Attributable to shareholders of the Company									Non- controlling interests	Total
	Employee										
	share-based			Capital	Assets	Investment	Exchange	Retained			
	Share capital	Share premium	compensation reserve	Capital reserve	redemption reserve	revaluation reserve	revaluation reserve	fluctuation reserve	earnings		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2013	279,783	849,536	40,458	216,107	14,006	12,334	125,290	128,123	863,910	91,393	2,620,940
Total comprehensive income for the period ended 30th June 2013	-	-	-	(8,101)	-	-	505	11,175	21,858	3,303	28,740
At 30th June 2013	279,783	849,536	40,458	208,006	14,006	12,334	125,795	139,298	885,768	94,696	2,649,680

The notes on pages 14 to 30 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, associated companies and joint ventures (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 29th August 2014.

## 2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30th June 2014 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 2013, 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 2013, 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 2014 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
– HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation;	1st January 2016
– HKAS 19 (Amendment)	Defined Benefit Plans;	1st July 2014
– HKFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures;	1st January 2015
– HKFRS 9	Financial Instruments;	1st January 2018
– HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation;	1st January 2016
– HKFRS 14	Regulatory Deferral Accounts; and	1st January 2016
– Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2013	1st July 2014

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 2013.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 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, properties under development, properties held for sale, inventories, financial assets and operating cash.

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

	Unaudited					Group HK\$'000
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment 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 profits less losses 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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5. Segment information (continued)

The unaudited segment results of the Group for the six months ended 30th June 2013 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	15,986	87,651	20,691	47,756	49,089	221,173
Segment results	14,268	36,388	(8,598)	(36,349)	18,775	24,484
Unallocated net operating expenses						(13,285)
Operating profit						11,199
Finance costs – net						(698)
Share of profits less losses of						
– Associated companies	–	–	–	–	6,001	6,001
– Joint ventures	–	–	–	4,134	739	4,873
Profit before taxation						21,375

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

The unaudited segment assets of the Group as at 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
Segment assets	88,089	3,253,704	664,577	997,945	287,816	5,292,131
Investments in associated companies	–	–	–	–	279,438	279,438
Investments in joint ventures	–	–	–	200,197	41,971	242,168
Tax recoverable						338
Deferred tax assets						14,888
Corporate assets						18,555
Total assets						5,847,518

The audited segment assets of the Group as at 31st December 2013 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	98,286	2,324,211	665,380	986,453	312,183	4,386,513
Investments in associated companies	–	–	–	–	279,921	279,921
Investments in joint ventures	–	–	–	203,204	41,768	244,972
Tax recoverable						948
Deferred tax assets						15,184
Corporate assets						18,743
Total assets						4,946,281

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 6. Other gains/(losses) – net

	Unaudited	
	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Gain on disposal of interests in subsidiaries	448	290
Loss on disposal of investment properties	–	(376)
Fair value gains/(losses) on investment properties	2,080	(17,545)
Gain on disposal of financial assets at fair value through profit or loss	–	12,048
Net foreign exchange (loss)/gain	(867)	3,881
	<b>1,661</b>	<b>(1,702)</b>

### 7. Operating (loss)/profit

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

	Unaudited	
	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
<b>Charging:</b>		
Depreciation	24,794	16,552
Amortisation of leasehold land and land use rights	883	879
Staff costs (Note 9)	91,258	84,234

**8. Finance income/(costs) – net**

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Finance income	<b>9,876</b>	7,265
Finance costs		
– Interest on loans and overdrafts	<b>(11,110)</b>	(11,865)
– Less: amounts capitalised as qualifying assets	<b>3,543</b>	3,902
Total finance costs	<b>(7,567)</b>	(7,963)
Finance income/(costs) – net	<b>2,309</b>	(698)

**9. Staff costs**

Staff costs, including directors' remuneration, comprise:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Wages, salaries and allowances	<b>76,476</b>	71,100
Retirement benefit costs	<b>9,606</b>	9,293
Other employee benefits	<b>5,176</b>	3,841
	<b>91,258</b>	84,234

**10. Taxation**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10. Taxation (continued)

The amount of taxation charged/(credited) to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	6,044	4,421
– (Over)/under-provision in previous years	(10)	88
Overseas profits tax		
– Current	2,696	803
– Under-provision in previous years	93	411
Deferred taxation	1,092	(8,350)
Taxation charge/(credit)	9,915	(2,627)

### 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\$5,461,000 (2013: HK\$21,858,000). The basic earnings per share is based on the weighted average number of 1,398,913,012 (2013: 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 3,708,682 (2013: 4,000,897) 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 2014 (2013: Nil).

13. Capital expenditure

	Unaudited			
	Intangible	Property,	Investment	Leasehold
	assets	plant and	properties	land and
	HK\$'000	equipment	HK\$'000	land use
		HK\$'000	HK\$'000	rights
				HK\$'000
Net book value at 1st January 2014	13,757	535,253	436,768	54,114
Additions	—	13,695	155	—
Transfer from properties held for sale	—	—	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

	Unaudited			
	Intangible	Property,	Investment	Leasehold
	assets	plant and	properties	land and
	HK\$'000	equipment	HK\$'000	land use
		HK\$'000	HK\$'000	rights
				HK\$'000
Net book value at 1st January 2013	2,126	391,730	419,495	54,934
Acquisition of a subsidiary	10,988	153,062	—	—
Additions	—	1,810	—	—
Transfer from properties held for sale	—	—	19,125	—
Fair value losses	—	—	(17,545)	—
Disposals	—	(224)	(1,326)	—
Depreciation and amortisation (Note 7)	—	(16,552)	—	(879)
Exchange differences	—	4,638	6,440	558
Net book value at 30th June 2013	13,114	534,464	426,189	54,613

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 14. Trade receivables

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Due from stockbrokers and clearing houses	<b>183,938</b>	73,169
Due from stockbroking clients	<b>231,258</b>	150,045
Trade receivables	<b>43,977</b>	35,413
Bills receivable	<b>—</b>	229
	<b>459,173</b>	258,856
Provision for impairment	<b>(16,723)</b>	(16,814)
	<b>442,450</b>	242,042

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 2014 and 31st December 2013, the ageing analysis of trade receivables is as follows:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
0–30 days	<b>431,116</b>	234,254
31–60 days	<b>6,772</b>	4,182
61–90 days	<b>1,853</b>	2,865
Over 90 days	<b>2,709</b>	741
	<b>442,450</b>	242,042

15. Trade and other payables

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Due to stockbrokers and dealers	<b>85,121</b>	9,282
Due to stockbroking clients	<b>2,036,965</b>	1,530,571
Trade payables	<b>67,231</b>	28,889
Total trade payables	<b>2,189,317</b>	1,568,742
Advance receipts from customers	<b>2,419</b>	14,984
Accruals and other payables	<b>109,468</b>	109,649
	<b>2,301,204</b>	1,693,375

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\$1,705,908,000 (31st December 2013: HK\$1,400,313,000).

Trade and other payables are non-interest bearing except for 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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 15. Trade and other payables (continued)

At 30th June 2014 and 31st December 2013, the ageing analysis of trade payables is as follows:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
0-30 days	41,572	10,342
31-60 days	4,447	4,644
61-90 days	10,638	4,475
Over 90 days	10,574	9,428
	<b>67,231</b>	28,889

### 16. Borrowings

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
<b>Bank loans – secured</b>		
Non-current	298,859	307,441
Current	407,669	82,976
	<b>706,528</b>	390,417

As at 30th June 2014, the Group has pledged certain 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\$666 million (31st December 2013: HK\$676 million) and fixed deposits of approximately HK\$15 million (31st December 2013: HK\$15 million).

As at 30th June 2014, bank loans of HK\$402 million (31st December 2013: HK\$72 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\$815 million (31st December 2013: HK\$793 million).

## 16. Borrowings (continued)

Bank borrowings are either repayable on demand or will mature and be repayable in April 2015 to June 2021 and bear floating interest rates. The weighted average effective interest rate at 30th June 2014 was 3.43% (31st December 2013: 5.55%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$402 million (31st December 2013: HK\$72 million) and HK\$305 million (31st December 2013: HK\$318 million) are denominated in Hong Kong dollars and Renminbi, respectively.

## 17. Share capital

	Unaudited 30th June 2014		Audited 31st December 2013	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised: (Note (a))				
Ordinary shares of HK\$0.2 each (Note (b))	—	—	2,000,000	400,000
Ordinary shares, issued and fully paid:				
At 1st January 2014 and 2013	1,398,913	279,783	1,398,913	279,783
Transition to no-par value regime on 3rd March 2014 (Note (c))	—	863,542	—	—
At 30th June 2014 and 31st December 2013	1,398,913	1,143,325	1,398,913	279,783

Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transaction.
- (c) 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.

No share options were exercised under the Employee Share Option Scheme adopted by the Company on 24th May 2002 during the six months ended 30th June 2014 and the year ended 31st December 2013.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 18. Commitments

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

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Contracted but not provided for	<b>461,928</b>	471,122
Authorised but not contracted	<b>765,202</b>	804,073

- (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:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Not later than one year	<b>18,847</b>	14,871
Later than one year but not later than five years	<b>38,039</b>	15,088
More than five years	<b>12,297</b>	4,008
	<b>69,183</b>	33,967

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:

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Not later than one year	<b>7,880</b>	9,256
Later than one year but not later than five years	<b>2,231</b>	4,571
	<b>10,111</b>	13,827

## 19. Contingent liabilities

	<b>Unaudited 30th June 2014 HK\$'000</b>	Audited 31st December 2013 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties ( <i>Note</i> )	—	1,018

*Note:* The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the 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.

## 20. Related party transactions

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

	<b>Unaudited Six months ended 30th June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Fees	810	810
Salaries and other employee benefits	4,132	4,000
Discretionary bonuses	—	1,100
Retirement benefit costs	350	340
	<b>5,292</b>	<b>6,250</b>

## 21. Financial risk management

### 21.1 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).

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 2013.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 21. Financial risk management (continued)

#### 21.2 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 2014.

	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	72,754	–	–	72,754
– unlisted securities	–	–	5,050	5,050
Available-for-sale financial assets				
– listed securities	971	–	–	971
– unlisted securities	–	137,205	647	137,852
	<b>73,725</b>	<b>137,205</b>	<b>5,697</b>	<b>216,627</b>

The following table presents the audited Group's financial assets that are measured at fair value at 31st December 2013.

	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	77,700	–	–	77,700
– unlisted securities	–	–	5,050	5,050
Available-for-sale financial assets				
– listed securities	971	–	–	971
– unlisted securities	–	141,304	657	141,961
	<b>78,671</b>	<b>141,304</b>	<b>5,707</b>	<b>225,682</b>

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

**21.2 Fair value estimation (continued)**

For the six months ended 30th June 2014, 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 2014, there were no reclassifications of financial assets.

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

	<b>Financial assets at fair value through profit or loss HK\$'000</b>	<b>Available-for- sale financial assets HK\$'000</b>
<b>30th June 2014</b>		
Opening balance at 1st January 2014	5,050	657
Exchange difference	—	(10)
Closing balance at 30th June 2014	<b>5,050</b>	<b>647</b>
	Financial assets at fair value through profit or loss HK\$'000	Available-for- sale financial assets HK\$'000
<b>30th June 2013</b>		
Opening balance at 1st January 2013	10,183	629
Disposal	(5,133)	—
Exchange difference	—	(9)
Closing balance at 30th June 2013	<b>5,050</b>	<b>620</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 21. Financial risk management (continued)

#### 21.3 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.

#### 21.4 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, prepayments and deposits;
- deposits with banks, client trust bank balances and cash and cash equivalents;
- trade and other payables; and
- borrowings.

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

At 30th June 2014, 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 of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat <i>(Note)</i>	Long position	108,349,636	72,952,000	181,301,636	12.96%
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. YU Qihao	Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohu	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.

Movement of share options during the six months ended 30th June 2014 is as follows:

	Options held at 1st January 2014 and 30th June 2014	Exercise price HK\$	Date of grant		Exercise period	Vesting period
Directors:						
Mr. LO Yuen Yat	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	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007	
Mr. YEUNG Wai Kin	11,810,000	0.564	30/11/2005	30/05/2006–11/12/2015	30/11/2005–29/05/2006	
	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	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007	
Prof. WOO Chia-Wei	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	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007	
Mr. YU Qihao	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007	
Employees	7,250,000	0.680	03/03/2006	03/03/2008–02/03/2016	03/03/2006–02/03/2008	
	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007	
	<u>51,568,000</u>					

Notes:

- (a) No share options were granted, exercised or lapsed under the 2002 Scheme and the 2014 Scheme during the six months ended 30th June 2014.
- (b) No share options granted under the 2002 Scheme were cancelled during the six months ended 30th June 2014.
- (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 2013.

## DISCLOSURE OF INTERESTS

### Substantial Shareholders' Interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2014, 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") <i>(Note 1)</i>	Long position	–	–	247,674,500	–	247,674,500	17.70%
Ms. CHAN Chiu, Joy ("Ms. Chan") <i>(Note 2 &amp; 3)</i>	Long position	67,976,000	12,432,000	57,592,000	63,640,000	201,640,000	14.41%
Mr. YIN Jian, Alexander ("Mr. Yin") <i>(Note 2 &amp; 3)</i>	Long position	12,432,000	67,976,000	57,592,000	63,640,000	201,640,000	14.41%

Notes:

- (1) *China Assets is a Hong Kong listed company, which is also an associated company of the Group.*
- (2) *57,592,000 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 shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2014 (2013: Nil).

### 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 Xiaohu. 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 2014 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 2014.

By order of the Board

**LO Yuen Yat**

*Chairman*

Hong Kong, 29th August 2014