



First Shanghai Investments Limited

Stock Code: 227

INTERIM REPORT 2020





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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, *S.B.S., J.P.*

Independent Non-executive Directors

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiaohu

NOMINATION COMMITTEE

Prof. WOO Chia-Wei (*Chairman*)

Mr. LO Yuen Yat

Mr. YU Qihao

Mr. ZHOU Xiaohu

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohu (*Chairman*)

Mr. LO Yuen Yat

Prof. WOO Chia-Wei

Mr. YU Qihao

AUDIT COMMITTEE

Mr. YU Qihao (*Chairman*)

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

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. ZHOU Xiaohu

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.,

Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank Corporation,

Hong Kong Branch

Dah Sing Bank, Limited

OCBC Wing Hang Bank Limited

Standard Chartered Bank (Hong Kong)

Limited

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

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”) submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2020 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

In the first half of 2020, the world experienced extreme volatilities due to the widespread of COVID-19 epidemic resulting in significant disruptions in social and economic activities over the world. This global pandemic has led to the most severe economic shock in recent decades. Impacts vary from business to business and country to country including abrupt rise in unemployment, declines in consumer confidence and spending, trade and supply chain disruption, collapse in stock market and crude prices with steep worries in market recession and corporate earnings. Intensifying Sino-US tension and geographic political uncertainty further enlarge market concern on the pace of economic recovery and long term impact to specific industries with particular trade restriction measures imposed, including trading, banking and technologies industries.

The US and European countries encountered prolonged lockdowns since March. Due to the panic sentiment, the US financial market witnessed serious liquidity crisis in March. Major US indices adjusted sharply after hitting the record highs in February amidst the hard hit on economic activities due to rapid spread of COVID-19 over the US and Europe. Nevertheless, with large scale fiscal stimulus and monetary easing by various governments and central banks, the stock market rebounded from its trough on optimism about the stimulus measures and the gradual reopening of the economy. In Chinese Mainland, after imposed rigorous lockdowns by the Central Government in January to stop widespread of COVID-19 over the country, the decline in financial market was moderate compared with oversea markets. However, general worries about economic shocks still overshadowed the market, especially concern about supply chain disruptions with factory shutdown and hindering of consumer demands due to travel bans and continuous trade tensions. Following intensive fiscal policies including the tax and fee reduction and various industry-specific stimulation policies, the macro-economy was underpinned and economic data showed slight upturn. In Hong Kong, the stock market declined as a result of heightened local political uncertainties, and worsening economy suffered from the increasing trade tension and the outbreak of COVID-19. Due to growing concerns on fluctuation in the international markets and political uncertainties, general market activity was curtailed.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector, Property and Hotel Sector, Medical and Healthcare Sector and Direct Investment Sector.

For the first half of 2020, the global financial market remained volatile against concerns on the widespread of COVID-19 and the Sino-US tension. Market was sensitive to the development of the pandemic and pace of economic recovery. The Hong Kong stock market slumped, with Hang Seng Index reached its trough at 21,139 in March. Tracking most overseas markets, it then rebounded, closed at 24,427, following monetary easing measures implemented by major economies. During the reporting period, performance of the Financial Services Sector was benefited with rise in market trading volume leading to increase in overall brokerage commission income, especially on IPO brokerage business. On the other hand, impeded by delay in most corporate and fund raising activities, underwriting and corporate financing business reported unsatisfactory results. During the reporting period, despite the market volatility, the Group endeavored to control quality of our margin loan portfolio. Concerns about market fluctuation, market risk appetites was pullback and average margin loan has been reduced which further hampered revenue generated on margin loan business.

Property and Hotel Sector was the most affected business sector of the Group under the COVID-19 epidemic. For the first half of 2020, with the implementation of stringent prevention and control measures and general travel restrictions all over the world due to the global pandemic, certain hotel and beverage businesses in Wuxi and Paris were shutdown which reported pronounced operating loss since March. The lockdown measures imposed also hindered sales of properties from Huangshan property development project. Salesforce during February to March was suspended. Despite we attempted to maintain sales volume upon reopening of the business activities in Huangshan, reduction in revenue was reported. In addition, suffering from the property price drop, the Group recognized general valuation loss against notable valuation gain reported in the corresponding period of last year.

2020 is a difficult year to our Medical and Healthcare Sector. Although no closure of business encountered, devastated by the COVID-19 epidemic, we have imposed substantive pandemic related hygienic measures which highly affect the operational efficiency. Customer demand on certain medical treatments was hindered with worries about the pandemic. Still undergoing expansion and brand building stage, the pace of development and expansion of customer base was inevitably delayed. The opening of child dental center and cancer center was delayed to the second half of the year. Operating result was slightly declined with reduction on revenue from endoscopy and body check services, despite slightly offset with improvement in physiotherapy and fitness services. As a new participant in the industry, we will continue to expand our marketing force and our business cooperation with doctors, medical professionals, insurance companies and business partners so as to enlarge our market penetration.

For the six months ended 30th June 2020, the Group reported a net loss attributable to shareholders of approximately HK\$41 million, compared to a net profit attributable to shareholders of approximately HK\$15 million reported from the corresponding period of 2019. The basic losses per share attributable to the shareholders of the Company was HK2.89 cents.

PROSPECTS

Looking ahead, we expect global and domestic economy will remain sensitive to geopolitical and macroeconomic uncertainties. Trade protectionism and political issues will continue to impede global economic growth. While the trail of the pandemic still remains uncertain, it is premature to predict the recovery timetable of various business sectors at this stage. Nevertheless, tracking the gradual reopening of economic activities in Chinese Mainland and the more steady global economy, the development at the beginning of the second half of 2020 showed some signs of stabilization, leading to a more constructive operating environment and surge in market demand is expected. The Group will continue to focus on recovering revenue, maintain stringent but flexible cost and capital expenditure. The Group will also remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

Under the volatile market environment, our Financial Service Sector will maintain a cautious and proactive approach regarding the credit control of our margin financing business. We will actively improve our operation efficiency, reinforce market knowledge and customer concerns so as to seize business opportunity in a timely manner under the rapidly changing environment. We shall also pursue to enhance our online trading platform, and widen our product scope and customer base to cope with market demands. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by full range of financial services offered by the Group including brokerage, asset management, financial advisory, IPO sponsorships and wealth management, we will continue to enhance our service and strengthen our business platform for further development.

Regarding the Medical and Healthcare Sector, we foresee challenges brought by the outbreak of COVID-19 will continue to hinder our business development plan. Nevertheless, we still endeavor to expand the range of medical and healthcare services from the provision of general and specialist consultation, imaging, endoscopy and day surgery, body check, medic beauty, physiotherapy and fitness services, to child dental and cancer treatment in 2020. We are confident that public health awareness will be reinforced in long run, leading to increase in demand in high quality medical and healthcare services. Located in Central and supported by our caring and professional frontline doctors and clinical staff, we are committed to strengthen our service quality and innovate with new solutions to our patients and clients via committed investment in new technology and platform, including tele-consultation, advanced imaging, endoscopy and day surgery equipments and various healthcare and wellness solutions.

As long term sustainable strategy, we will balance our business growth with dual-engine on both financial services and medical and healthcare industries. With strong market demand for quality and high standard financial services and medical and healthcare services, both from Hong Kong and Chinese Mainland, we are confident with the continuous growth to the Group. We will also consistently push forward our existing investment strategy to operate our Direct Investment business. We commit to seek opportunities so as to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2020, the Group reported a net loss and basic losses per share attributable to shareholders of approximately HK\$41 million and HK2.89 cents respectively, as compared with a net profit and basic earnings per share attributable to shareholders of approximately HK\$15 million and HK1.04 cents respectively reported from the corresponding period of 2019. This loss was attributable to the adverse impact from the worldwide outbreak of COVID-19 in early 2020 which resulted in disruption of business activities, and especially the performance of our Property and Hotel Sector. Operation of the property development projects in Huangshan was suspended by nearly two months, which led to curtailment in sales of properties. Market sentiment was adversely affected by the pandemic. Investment properties recorded fair value loss of HK\$7 million during the first half year of 2020 whereas fair value gain of HK\$39 million was recorded in corresponding period of 2019. Due to global travel restrictions, quarantine requirements and social protective measures adopted, revenue from hotels in Wuxi and Paris slumped during the reporting period. The performance of the Group was further hindered by the decline in underwriting commission income and margin loan interest income amid to the poor market sentiment and drop in corporate and fund raising activities. Overall result was slightly pulled back by the increase in brokerage commission income tracking boost in market turnover on stock markets. Revenue of the Group was approximately HK\$195 million, representing a decrease by 23% over the same period of 2019 tracking reduction of revenue from property sales, hotel operation and underwriting and margin loan business. Total net assets of the Group reported slight decrease by 3% to approximately HK\$2,625 million when compared with approximately HK\$2,711 million as at 31st December 2019.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management. We offer full range of financial services to our customers. For the first half of 2020, the operating profit reported from Financial Services Sector reduced by 23% when compared with the corresponding period in 2019. This was mainly attributable to the drop in underwriting commission income and margin loan interest income. The impact was partially offset by the increase in securities brokerage commission income, especially from IPO brokerage commission.

The Hong Kong stock market was extremely volatile in 2020. Hang Seng Index hit 29,000 in early 2020 as optimistic sentiment continued after the first phase trade agreement reached between the US and Chinese Mainland in late 2019. The subsequent outbreak of COVID-19 and concerns on over-supply of oil led to dramatic negative sentiment, with general worries on corporate earnings and recession. Hang Seng Index dropped over 25% from this year high to around 21,000 in March 2020, and closed at 24,427, representing a decrease of 14% as compared to the beginning of 2020. In the first half of 2020, the average daily market turnover increased by 20% from HK\$98 billion to HK\$118 billion. During the reporting period, our brokerage business, tracking the market trend, reported increase in brokerage commission income by 26%. However, border closure after the outbreak of COVID-19 hindered most corporate and fund raising activities, with corresponding commission income decreased. Margin loan interest income was reduced by 11% following a slump in average margin loan size with investors became more risk averse.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2020, we have completed six financial advisory cases. In addition, two IPO cases were under processing. Income from advisory services slightly decreased by 2% due to fewer deals completed in the first half of 2020.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2020, operating loss of HK\$22 million was reported from Property and Hotel Sector as compared with an operating profit of HK\$54 million in the corresponding period of last year. This unsatisfactory performance was mainly attributable to the outbreak of COVID-19 which had highly disrupted business activities and undermined market valuation.

For the six months ended 30th June 2020, operating revenue from property development operations dropped by 46% as compared with the corresponding period in 2019 after shutdown of sales activities for nearly two months with our Huangshan property development project which led to curtailment in overall sales volume.

For the six months ended 30th June 2020, operating revenue from property investment and management operations reported slight dropped by 6% as compared with the corresponding period in 2019 with slight reduction on rental occupancy rate. For investment properties held by the Group, valuation loss of HK\$7 million was recorded as compared to a valuation gain of HK\$39 million in the corresponding period in 2019 due to certain rental reduction of our investment properties.

For the six months ended 30th June 2020, revenue from hotel and golf operations recorded a significant drop by 40% as compared with the corresponding period in 2019. After the global outbreak of COVID-19, hotel industry was deeply hit with cities lock down and massive travel and protective restrictions imposed. Governments' orders to ban social gathering and restaurant dining had hard hit our hotel and beverage operation in Wuxi and Paris, reduction on revenue was reported during the period.

Medical and Healthcare

The Group explored to the Medical and Healthcare Sector by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. For the six months ended 30th June 2020, the medical centre recorded a decrease in revenue by 34% as compared with the corresponding period in 2019. It was mainly attributable to many patients' preference of holding up non-urgent medical check-up during the pandemic. For the six months ended 30th June 2020, operating loss of HK\$44 million was reported from Medical and Healthcare Sector, increased by 14% as compared with the corresponding period of last year.

Direct Investment

For the reporting period, Direct Investment Sector recorded slight operation loss. Focusing our internal resources in the medical and healthcare business, there was no new direct investment launched in 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group relied principally on its internal financial resources to fund its operations and investment activities. Bank and other loans will be raised to meet the different demands of our property projects, as well as margin financing and direct investment business. As at 30th June 2020, the Group had raised bank and other loans of approximately HK\$294 million (31st December 2019: HK\$378 million) and held approximately HK\$516 million (31st December 2019: HK\$227 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) slightly decreased to 11.2% (31st December 2019: 13.9%).

During the reporting period, there was no change on the Group's overall share capital structure. As at 30th June 2020, the total number of issued ordinary shares was 1,418,973,012 shares (31st December 2019: 1,418,973,012 shares).

The Group's licensed subsidiaries are subject to various statutory capital requirements in accordance with the Securities and Futures (Financial Resources) Rules (Cap. 571N) and the Insurance (Financial and other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41 Sub. Leg. L). During the reporting period, all licensed corporations within the Group complied with their respective requirements.

The Group's principal operations are transacted and recorded in Hong Kong dollars, Renminbi and EURO. The Group has no significant exposure to other foreign exchange fluctuations. The Group has not used any derivatives to hedge its exposure to foreign exchange risk.

CHARGES OF GROUP ASSETS

The Group has charged properties, investment properties, leasehold land and land use rights and properties held for sale with an aggregate net carrying value of approximately HK\$595 million (31st December 2019: HK\$703 million) and fixed deposits of approximately HK\$15 million (31st December 2019: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$239 million (31st December 2019: HK\$312 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 2020, total contingent liabilities relating to these guarantees amounted to approximately HK\$5 million (31st December 2019: HK\$5 million).

MATERIAL ACQUISITIONS AND DISPOSAL

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

HUMAN RESOURCES

The objective of the Group's human resources management is to reward and recognise performing staff through a competitive remuneration package and a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. 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. Staff are enrolled in external and internal training courses or seminars in order to update their professional knowledge and technical skills so as to increase their awareness of market development and business trend. As at 30th June 2020, the Group employed 674 (30th June 2019: 738) staff, of whom 369 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2020 amounted to approximately HK\$108 million (30th June 2019: HK\$112 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30th June	
		2020	2019
		HK\$'000	HK\$'000
Revenue	5	194,568	252,160
Cost of sales		(90,763)	(101,807)
Gross profit		103,805	150,353
Other (losses)/gains – net	6	(7,527)	38,558
Selling, general and administrative expenses		(154,555)	(157,776)
Operating (loss)/profit	5 and 7	(58,277)	31,135
Finance income	8	22,841	21,984
Finance costs	8	(14,925)	(15,684)
Finance income – net	8	7,916	6,300
Share of results of a joint venture		–	3,828
(Loss)/profit before taxation		(50,361)	41,263
Taxation	10	8,614	(22,627)
(Loss)/profit for the period		(41,747)	18,636
Attributable to:			
Shareholders of the Company		(40,987)	14,808
Non-controlling interests		(760)	3,828
		(41,747)	18,636
(Losses)/earnings per share attributable to shareholders of the Company			
– Basic	11	HK(2.89) cents	HK1.04 cents
– Diluted	11	HK(2.89) cents	HK1.04 cents

The notes on pages 17 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period	(41,747)	18,636
Other comprehensive loss		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Currency translation differences	(16,075)	(7,494)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value loss on financial assets at fair value through other comprehensive income	(28,641)	(19,353)
Other comprehensive loss for the period, net of tax	(44,716)	(26,847)
Total comprehensive loss for the period	(86,463)	(8,211)
Attributable to:		
Shareholders of the Company	(84,222)	(11,676)
Non-controlling interests	(2,241)	3,465
	(86,463)	(8,211)

The notes on pages 17 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Non-current assets			
Intangible assets	13	5,126	5,126
Property, plant and equipment	13	657,050	679,014
Right-of-use assets	13	239,201	261,935
Investment properties	13	650,375	661,532
Leasehold land and land use rights	13	39,937	41,043
Deferred tax assets		60,384	50,949
Financial assets at fair value through other comprehensive income		68,492	97,133
Finance lease receivables		21,967	12,122
Other non-current prepayments and deposits		18,106	17,038
Total non-current assets		1,760,638	1,825,892
Current assets			
Inventories	14	461,726	491,571
Loans and advances		787,560	1,164,813
Trade receivables	15	553,080	190,550
Other receivables, prepayments and deposits		56,824	276,461
Finance lease receivables		3,578	1,821
Tax recoverable		77	1,315
Financial assets at fair value through profit or loss		17	17
Deposits with banks		32,843	11,163
Client trust bank balances		2,466,549	1,827,882
Cash and bank balances		483,300	216,270
Total current assets		4,845,554	4,181,863
Current liabilities			
Trade and other payables	16	3,265,976	2,470,250
Tax payable		34,823	42,382
Lease liabilities		49,250	44,041
Borrowings	17	158,032	228,021
Total current liabilities		3,508,081	2,784,694
Net current assets		1,337,473	1,397,169

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Total assets less current liabilities		3,098,111	3,223,061
Non-current liabilities			
Deferred tax liabilities		87,456	93,915
Lease liabilities		242,548	261,782
Borrowings	17	136,298	149,590
Other non-current liabilities		6,605	6,507
Total non-current liabilities		472,907	511,794
Net assets		2,625,204	2,711,267
Equity			
Share capital	18	1,162,940	1,162,940
Reserves		1,387,214	1,471,436
Capital and reserves attributable to the Company's shareholders		2,550,154	2,634,376
Non-controlling interests		75,050	76,891
Total equity		2,625,204	2,711,267

The notes on pages 17 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Net cash inflow/(outflow) from operating activities	197,352	(113,030)
Overseas taxation paid	(11,347)	(3,506)
Net cash generated from/(used in) operating activities	186,005	(116,536)
Cash flows from investing activities		
Interest received	20,239	23,933
Purchase of property, plant and equipment	(3,493)	(22,945)
Decrease in deposit paid for property, plant and equipment	253	860
Proceeds from disposal of property, plant and equipment	62	-
Proceeds from disposal of investment properties	3,640	1,954
Net proceeds from disposal of a joint venture	204,192	-
Dividends received from a joint venture	-	6,582
(Increase)/decrease in deposits with banks	(22,048)	38,026
Net cash generated from investing activities	202,845	48,410
Cash flows from financing activities		
Interest paid	(9,359)	(9,778)
Proceeds from borrowings	140,000	148,000
Repayments of borrowings	(212,190)	(111,336)
Payment for lease liabilities	(30,225)	(26,385)
Net cash (used in)/generated from financing activities	(111,774)	501
Net increase/(decrease) in cash and cash equivalents	277,076	(67,625)
Cash and cash equivalents at 1st January	207,850	332,151
Exchange differences	(2,032)	(815)
Cash and cash equivalents at 30th June *	482,894	263,711

* As at 30th June 2020, cash and cash equivalents are net of bank overdrafts of HK\$406,000 (30th June 2019: HK\$12,781,000).

The notes on pages 17 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Non-controlling interests	Total
	Attributable to shareholders of the Company						Retained earnings		
	Share capital	Capital reserve	Assets revaluation reserve	Financial assets at fair value through other comprehensive income reserve		Exchange fluctuation reserve			
				HK\$'000	HK\$'000			HK\$'000	HK\$'000
At 1st January 2020	1,162,940	38,755	12,334	36,727	(13,715)	1,397,335	76,891	2,711,267	
Loss for the period	-	-	-	-	-	(40,987)	(760)	(41,747)	
Other comprehensive loss	-	-	-	(28,641)	(14,594)	-	(1,481)	(44,716)	
Total comprehensive loss for the period ended 30th June 2020	-	-	-	(28,641)	(14,594)	(40,987)	(2,241)	(86,463)	
Contribution from non-controlling interests	-	-	-	-	-	-	400	400	
At 30th June 2020	1,162,940	38,755	12,334	8,086	(28,309)	1,356,348	75,050	2,625,204	

	Unaudited							Non-controlling interests	Total
	Attributable to shareholders of the Company						Retained earnings		
	Share capital	Capital reserve	Assets revaluation reserve	Financial assets at fair value through other comprehensive income reserve		Exchange fluctuation reserve			
				HK\$'000	HK\$'000			HK\$'000	HK\$'000
At 1st January 2019	1,162,940	38,529	12,334	66,752	20,352	1,388,103	74,390	2,763,400	
Profit for the period	-	-	-	-	-	14,808	3,828	18,636	
Other comprehensive loss	-	-	-	(19,353)	(7,131)	-	(363)	(26,847)	
Total comprehensive loss for the period ended 30th June 2019	-	-	-	(19,353)	(7,131)	14,808	3,465	(8,211)	
At 30th June 2019	1,162,940	38,529	12,334	47,399	13,221	1,402,911	77,855	2,755,189	

The notes on pages 17 to 34 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 operations, medical and healthcare services, 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.

The financial information relating to the year ended 31st December 2019 that is included in the condensed consolidated financial information for the six months ended 30th June 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 26th August 2020.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2020 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 2019, 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 2019, as described in those annual financial statements.

(a) *New and amended standards adopted by the Group*

The Group has early adopted Amendment to HKFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1st January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30th June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions and the impact is relatively insignificant to the Group’s results for the period. There is also no impact on the opening balance of the Group’s equity at 1st January 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

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 2019.

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:

- Financial services
- Property development
- Property investment and hotel
- Medical and healthcare
- Direct investment

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

Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, 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 2020 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Interest revenue calculated using effective interest method	34,450	-	-	-	-	34,450
Timing of recognition:						
- At a point in time	65,201	30,613	12,196	11,186	-	119,196
- Over time	8,954	-	29,738	-	2,230	40,922
Revenue	108,605	30,613	41,934	11,186	2,230	194,568
Segment results	28,165	5,160	(26,980)	(44,165)	(1,575)	(39,395)
Unallocated net operating expenses						(18,882)
Operating loss						(58,277)
Finance income - net						7,916
Loss before taxation						(50,361)

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 2019 are as follows:

	Unaudited					
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	HK\$'000
Interest revenue calculated using effective interest method	38,686	-	-	-	-	38,686
Timing of recognition:						
- At a point in time	65,338	56,538	19,094	16,831	-	157,801
- Over time	9,875	-	43,450	-	2,348	55,673
Revenue	113,899	56,538	62,544	16,831	2,348	252,160
Segment results	36,652	15,173	39,194	(38,859)	(1,388)	50,772
Unallocated net operating expenses						(19,637)
Operating profit						31,135
Finance income – net						6,300
Share of results of a joint venture	-	-	3,828	-	-	3,828
Profit before taxation						41,263

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

The unaudited segment assets of the Group as at 30th June 2020 are as follows:

	Unaudited					
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	HK\$'000
Segment assets	4,206,636	587,354	1,286,971	369,302	73,644	6,523,907
Tax recoverable						77
Deferred tax assets						60,384
Corporate assets						21,824
Total assets						6,606,192

5. SEGMENT INFORMATION (CONTINUED)

The audited segment assets of the Group as at 31st December 2019 are as follows:

	Audited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Segment assets	3,292,475	640,862	1,290,225	392,656	95,429	5,711,647
Tax recoverable						1,315
Deferred tax assets						50,949
Corporate assets						243,844
Total assets						6,007,755

6. OTHER (LOSSES)/GAINS - NET

	Unaudited	
	Six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
(Loss)/gain on disposal of investment properties	(128)	241
Fair value (losses)/gains on investment properties	(7,016)	39,378
Loss on disposal of property, plant and equipment	(15)	(45)
Net gain on disposal of right-of-use assets	2,504	-
Net foreign exchange loss	(2,872)	(1,016)
	(7,527)	38,558

7. OPERATING (LOSS)/PROFIT

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

	Unaudited	
	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Depreciation	46,540	40,020
Amortisation of leasehold land and land use rights	756	790
Net losses on/(reversal of) impairment of financial assets	2,438	(731)
Staff costs (Note 9)	108,256	111,871

8. FINANCE INCOME – NET

	Unaudited	
	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Finance income		
– Interest income	22,522	21,984
– Interest income from leased assets	319	–
Total finance income	22,841	21,984
Finance costs		
– Interest on loans and overdrafts	(9,457)	(9,873)
– Interest expenses on lease liabilities	(5,468)	(6,029)
– Less: amounts capitalised as qualifying assets	–	218
Total finance costs	(14,925)	(15,684)
Finance income – net	7,916	6,300

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
Wages, salaries and allowances	97,631	99,512
Retirement benefit costs	4,251	6,109
Other employee benefits	6,374	6,250
	108,256	111,871

10. TAXATION

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

	Unaudited Six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax		
– Current	1,244	4,838
– Over – provision in previous years	(122)	–
Overseas profits tax		
– Current	2,497	5,522
– (Over)/under – provision in previous years	(1)	6
Land appreciation tax	2,043	3,840
Deferred taxation	(14,275)	8,421
Taxation (credit)/charge	(8,614)	22,627

11. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$40,987,000 (2019: Group's profit attributable to shareholders of approximately HK\$14,808,000). The basic (losses)/earnings per share is based on the weighted average number of 1,418,973,012 (2019: 1,418,973,012) shares in issue during the period.

For the six months ended 30th June 2020 and 2019, diluted (losses)/earnings per share is the same as the basic (losses)/earnings per share as there were no dilutive potential ordinary shares in issue during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2020 (2019: Nil).

13. CAPITAL EXPENDITURE

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Right-of- use assets HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2020	5,126	679,014	261,935	661,532	41,043
Additions	-	4,780	10,862	-	-
Transfer from inventories	-	-	-	11,693	-
Fair value losses	-	-	-	(7,016)	-
Disposals	-	(77)	(9,925)	(3,768)	-
Depreciation and amortisation (<i>Note 7</i>)	-	(22,995)	(23,545)	-	(756)
Exchange differences	-	(3,672)	(126)	(12,066)	(350)
Net book value at 30th June 2020	5,126	657,050	239,201	650,375	39,937

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2019	5,126	683,182	-	598,135	43,025
Adoption of HKFRS 16	-	-	317,018	-	-
Additions	-	25,288	2,606	-	-
Transfer from inventories	-	-	-	6,864	-
Fair value gains	-	-	-	39,378	-
Disposals	-	(45)	-	(1,713)	-
Depreciation and amortisation (<i>Note 7</i>)	-	(16,502)	(23,518)	-	(790)
Exchange differences	-	(3,440)	(45)	(2,682)	(67)
Net book value at 30th June 2019	5,126	688,483	296,061	639,982	42,168

14. INVENTORIES

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Properties under development	188,808	185,032
Properties held for sale	269,353	302,842
Other inventories	3,565	3,697
	461,726	491,571

15. TRADE RECEIVABLES

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Due from stockbrokers and clearing houses	465,536	121,783
Due from stockbroking clients	83,168	51,272
Trade receivables – others	19,607	31,993
	568,311	205,048
Loss allowance	(15,231)	(14,498)
	553,080	190,550

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

The settlement terms of receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of 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.

15. TRADE RECEIVABLES (CONTINUED)

At 30th June 2020 and 31st December 2019, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
0-30 days	550,799	182,285
31-60 days	497	5,357
61-90 days	265	2,362
Over 90 days	1,519	546
	553,080	190,550

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Due to stockbrokers and dealers	36,184	123,746
Due to stockbroking clients and clearing houses	2,931,757	1,997,423
Trade payables	137,325	153,576
Total trade payables	3,105,266	2,274,745
Contract liabilities	27,685	31,087
Accruals and other payables	133,025	164,418
	3,265,976	2,470,250

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 trade and other payables are approximately the same as the carrying values.

16. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK\$2,466,549,000 (31st December 2019: HK\$1,827,882,000).

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, stockbroking clients and clearing houses as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

At 30th June 2020 and 31st December 2019, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
0-30 days	116,639	127,873
31-60 days	1,240	4,957
61-90 days	543	6,241
Over 90 days	18,903	14,505
	137,325	153,576

17. BORROWINGS

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Non-current		
Bank loans – secured	136,298	149,590
Current		
Other loans – unsecured (<i>Note 21(b)</i>)	5,036	15,135
Bank loans – secured	152,590	204,466
Bank overdrafts – secured	406	8,420
	158,032	228,021
	294,330	377,611

As at 30th June 2020, the Group has pledged properties, investment properties, leasehold land and land use rights and properties held for sale with an aggregate net carrying value of approximately HK\$595 million (31st December 2019: HK\$703 million) and fixed deposits of approximately HK\$15 million (31st December 2019: HK\$15 million) to secure bank borrowings.

As at 30th June 2020, bank borrowings of HK\$50 million (31st December 2019: HK\$50 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\$473 million (31st December 2019: HK\$165 million).

Bank borrowings are either repayable on demand or will mature and be repayable in July 2020 to June 2029 and bear floating interest rates. The weighted average effective interest rate at 30th June 2020 was 3.78% (31st December 2019: 5.57%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$140 million (31st December 2019: HK\$208 million) and HK\$149 million (31st December 2019: HK\$154 million) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2020		Audited 31st December 2019	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 30th June 2020 and 31st December 2019	1,418,973	1,162,940	1,418,973	1,162,940

19. COMMITMENTS

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

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Contracted but not provided for	315,579	328,657

(b) *Commitments under operating leases*

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

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Not later than one year	22,524	20,975
Later than one year but not later than five years	18,961	17,595
More than five years	-	1,270
	41,485	39,840

19. COMMITMENTS (CONTINUED)

(c) *Other commitments*

The Group undertakes underwriting obligations on initial public offering transactions. As at 30th June 2020, the underwriting obligations were approximately HK\$29,738,000 (31st December 2019: HK\$969,000).

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2020 HK\$'000	Audited 31st December 2019 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (<i>Note</i>)	4,936	5,034

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

(a) *The key management compensation is disclosed as follows:*

	Unaudited Six months ended 30th June	
	2020 HK\$'000	2019 HK\$'000
Fees	810	810
Salaries and other employee benefits	5,005	4,926
Retirement benefit costs	423	415
	6,238	6,151

21. RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) As at 30th June 2020, loan from a related party of HK\$5,036,000 was interest bearing at 7% per annum, denominated in Renminbi and repayable within one year. The relevant interest amount for the period amounted to HK\$177,000.

As at 31st December 2019, loans from related parties of HK\$10,000,000 and HK\$5,135,000 were interest bearing at 5% per annum and 7% per annum respectively. They are denominated in Hong Kong dollars and Renminbi respectively and repayable within one year. The relevant interest amount for the year ended 31st December 2019 amounted to HK\$838,000.

22. FINANCIAL RISK MANAGEMENT

22.1 *Financial risk factors*

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risks (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 2019.

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).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair value estimation (continued)

The following table presents the unaudited financial assets that are measured at fair value at 30th June 2020.

	Unaudited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	17	–	17
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	68,492	68,492
	17	68,492	68,509

The following table presents the audited financial assets that are measured at fair value at 31st December 2019.

	Audited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	17	–	17
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	97,133	97,133
	17	97,133	97,150

For the six months ended 30th June 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the financial assets.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair value estimation (continued)

For the six months ended 30th June 2020, there were no transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

22.3 Group's valuation processes

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

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 bank balances;
- trade and other payables; and
- borrowings.

23. IMPACT OF COVID-19

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions where the Group has operations, resulting in disruption of business activities, especially the performance of the Group's Property and Hotel Sector, and adversely impacted the results of the Group for the period.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the businesses of the Group may be affected for the year ending 31st December 2020. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate impact on the operations and financial position and results of the Group.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 30th June 2020, the interests of each director and chief executive 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 required to be kept by the Company under Section 352 of the SFO or as notified to the Company were as follows:

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	98,725,636	323,034,500	421,760,136	29.72%
Mr. YEUNG Wai Kin	Long position	11,872,304	-	11,872,304	0.84%
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, 249,866,500 shares and 216,000 shares are held by Kinmoss Enterprises Limited ("Kinmoss"), China Assets (Holdings) Limited ("CAHL") and New Synergies Investments Company Limited ("New Synergies") respectively. Kinmoss is a company wholly owned by Mr. LO Yuen Yat. CAHL is a company 40% indirectly owned by Mr. LO Yuen Yat through New Synergies and New Synergies is a company with 40% equity interests directly owned by Mr. LO Yuen Yat.

Saved as disclosed above, as at 30th June 2020, none of the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

DISCLOSURE OF INTERESTS

SHARE OPTIONS

On 23rd May 2014, the shareholders of the Company approved a share option scheme (the "Scheme"). No share options were granted under the Scheme during the period. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the 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 Scheme will remain in force for a period of 10 years from the date of adoption.

No share options were granted, exercised, lapsed or outstanding under the Scheme during the six months ended 30th June 2020.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2020, the Company had been notified of the following substantial shareholder's interests, holding 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	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note)	Long position	61,576,000	12,432,000	63,640,000	137,648,000	9.70%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note)	Long position	12,432,000	61,576,000	63,640,000	137,648,000	9.70%

Note: 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 2020 (2019: 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 assist the Board 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 assist the Board to establish a coherent remuneration policy and 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, *S.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, risk management and internal control systems are in place and follow.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters, including a review of the unaudited consolidated interim results for the six months ended 30th June 2020 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 2020.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 26th August 2020