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FIRST SHANGHAI GROUP

First Shanghai Investments Limited

(Stock Code: 227)

2009

Interim Report

# FIRST SHANGHAI INVESTMENTS LIMITED

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Chairman*

Mr. Lao Yuan-Yi

#### *Executive Directors*

Mr. Xin Shulin, Steve

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 Qi-Hao

Mr. Zhou Xiaohu

### COMPANY SECRETARY

Mr. Yeung Wai Kin

### REGISTERED OFFICE

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Hong Kong

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Website: [www.firstshanghai.com.hk](http://www.firstshanghai.com.hk)

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants

### SOLICITORS

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

### PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited  
Standard Chartered Bank

### 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 jointly controlled entities (together, the "Group") for the six months ended 30th June 2009 together with the comparative figures for the corresponding period last year as follows:

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2009 HK\$'000	2008 HK\$'000
Revenue	4	173,602	118,509
Cost of sales		(66,102)	(87,136)
Gross profit		107,500	31,373
Other income and losses	5	6,345	11,442
Selling and distribution costs		(3,993)	(1,353)
Administrative expenses		(73,131)	(42,967)
Operating profit/(loss)	4 and 6	36,721	(1,505)
Finance costs		(105)	(668)
Share of profits less losses of			
— Associated companies		9,094	9,843
— Jointly controlled entities		6,991	3,198
Profit before taxation		52,701	10,868
Taxation	8	(4,066)	(10,220)
Profit for the period		48,635	648
<b>Attributable to:</b>			
Shareholders of the Company		51,315	2,888
Minority interests		(2,680)	(2,240)
		48,635	648
<b>Earnings per share for profit attributable to shareholders of the Company during the period</b>			
— basic	9	HK3.67 cents	HK0.21 cents
— diluted	9	HK3.66 cents	HK0.21 cents

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	<u>48,635</u>	<u>648</u>
Other comprehensive income/(loss)		
— Fair value gain/(loss) on available-for-sale financial assets	66,547	(174,374)
— Deferred tax effect on revalued asset	—	72
— Exchange reserve realised for disposal of a subsidiary	1,177	—
— Currency translation differences	4,742	34,893
— Share of post-acquisition reserves of an associated company	<u>49,704</u>	<u>(77,337)</u>
Other comprehensive income/(loss) for the period	<u>122,170</u>	<u>(216,746)</u>
Total comprehensive income/(loss) for the period	<u>170,805</u>	<u>(216,098)</u>
<b>Attributable to:</b>		
Shareholders of the Company	172,538	(216,731)
Minority interests	<u>(1,733)</u>	<u>633</u>
	<u>170,805</u>	<u>(216,098)</u>

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
<b>Non-current assets</b>			
Intangible assets	11	3,393	3,393
Property, plant and equipment	11	130,084	76,567
Investment properties	11	47,897	47,897
Leasehold land and land use rights	11	384,884	389,711
Investments in associated companies		320,533	261,715
Investments in jointly controlled entities		159,081	157,056
Deferred tax assets		2,525	2,053
Available-for-sale financial assets		201,236	134,689
Loans and advances		26,960	27,457
		<u>1,276,593</u>	<u>1,100,538</u>
<b>Current assets</b>			
Inventories		4,003	5,885
Properties under development	11	160,206	90,027
Loans and advances		510,844	85,040
Trade receivables	12	170,608	134,496
Other receivables, prepayments and deposits		53,597	41,614
Tax recoverable		5,434	4,107
Financial assets at fair value through profit or loss		158,456	110,020
Deposits with banks			
— secured		15,000	5,000
— unsecured		193,700	148,099
Cash and cash equivalents		784,197	935,710
		<u>2,056,045</u>	<u>1,559,998</u>
<b>Current liabilities</b>			
Trade and other payables	13	417,916	234,390
Tax payable		28,371	28,306
Borrowings	14	283,403	3,402
		<u>729,690</u>	<u>266,098</u>
<b>Net current assets</b>		<u>1,326,355</u>	<u>1,293,900</u>
<b>Total assets less current liabilities</b>		<u>2,602,948</u>	<u>2,394,438</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,441	702
Borrowings	14	17,016	—
		<u>18,457</u>	<u>702</u>
<b>Net assets</b>		<u>2,584,491</u>	<u>2,393,736</u>
<b>Equity</b>			
Share capital	15	279,677	279,277
Reserves		2,213,626	2,040,134
Capital and reserves attributable to the Company's shareholders		2,493,303	2,319,411
Minority interests		91,188	74,325
<b>Total equity</b>		<u>2,584,491</u>	<u>2,393,736</u>

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

Unaudited  
Six months ended 30th June

	2009 HK\$'000	2008 HK\$'000
Net cash (used in)/generated from operating activities	(373,886)	104,920
Net cash used in investing activities	(100,124)	(22,892)
Net cash generated from/(used in) financing activities	316,861	(10,986)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(157,149)</b>	71,042
Cash and cash equivalents at 1st January	935,710	576,981
Exchange gain on cash and cash equivalents	5,636	11,955
<b>Cash and cash equivalents at 30th June</b>	<b>784,197</b>	659,978
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and in hand	272,585	251,259
Short-term bank deposits		
— secured	—	15,000
— unsecured	511,612	393,719
Cash and cash equivalents	<b>784,197</b>	659,978

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited									Minority interests	Total
	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000		
<b>Balance at 1st January 2009</b>	279,277	847,626	44,482	181,119	14,006	12,334	133,718	67,736	739,113	74,325	2,393,736
Profit for the period	-	-	-	-	-	-	-	-	51,315	(2,680)	48,635
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	66,547	-	-	-	66,547
Exchange reserve realised for disposal of a subsidiary	-	-	-	-	-	-	-	1,177	-	-	1,177
Currency translation differences	-	-	-	-	-	-	-	3,795	-	947	4,742
Share of post-acquisition reserves of an associated company	-	-	-	49,704	-	-	-	-	-	-	49,704
<b>Total comprehensive income for the period ended 30th June 2009</b>	-	-	-	49,704	-	-	66,547	4,972	51,315	(1,733)	170,805
Issue of new shares on exercise of share options	400	1,515	(561)	-	-	-	-	-	-	-	1,354
Capital contribution to a subsidiary by its minority shareholders	-	-	-	-	-	-	-	-	-	18,596	18,596
	400	1,515	(561)	-	-	-	-	-	-	18,596	19,950
<b>Balance at 30th June 2009</b>	279,677	849,141	43,921	230,823	14,006	12,334	200,265	72,708	790,428	91,188	2,584,491

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Continued)

	Unaudited									Minority interests	Total
	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000		
Balance at 1st January 2008	278,293	843,911	45,641	280,534	14,006	12,262	390,617	53,952	864,675	55,076	2,838,967
Profit for the period	-	-	-	-	-	-	-	-	2,888	(2,240)	648
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(174,374)	-	-	-	(174,374)
Deferred tax effect on revalued asset	-	-	-	-	-	72	-	-	-	-	72
Currency translation differences	-	-	-	-	-	-	-	32,020	-	2,873	34,893
Share of post-acquisition reserves of an associated company	-	-	-	(77,337)	-	-	-	-	-	-	(77,337)
Total comprehensive loss for the period ended 30th June 2008	-	-	-	(77,337)	-	72	(174,374)	32,020	2,888	633	(216,098)
Issue of new shares on exercise of share options	884	3,343	(1,238)	-	-	-	-	-	-	-	2,989
Employee share option benefits	-	-	219	-	-	-	-	-	-	-	219
Increase in partial interest of a subsidiary	-	-	-	-	-	-	-	-	-	(311)	(311)
Transfer to retained earnings	-	-	-	(69)	-	-	-	-	69	-	-
2007 final dividend paid	-	-	-	-	-	-	-	-	(13,958)	-	(13,958)
	884	3,343	(1,019)	(69)	-	-	-	-	(13,889)	(311)	(11,061)
Balance at 30th June 2008	279,177	847,254	44,622	203,128	14,006	12,334	216,243	85,972	853,674	55,398	2,611,808

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. General information

First Shanghai Investments Limited (the "Company") and its subsidiaries, associated companies and jointly controlled entities (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. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 18th September 2009.

### 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008, 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 2008, as described in those annual financial statements.

The following new Standard, amendment and revisions to existing Standards are mandatory for the first time for financial year beginning 1st January 2009:

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited condensed consolidated interim financial information have been prepared under the revised disclosure requirements;
- HKAS 23 (Revised), "Borrowing Costs". The Group has adopted this Standard on 1st January 2009 and has capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures". The Group will make additional relevant disclosures in its annual financial statements ending 31st December 2009; and
- HKFRS 8, "Operating Segments". The Group has adopted this Standard on 1st January 2009. Details of the segment information are presented in Note 4.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 3. Accounting policies *(Continued)*

The following amendments and interpretations to existing Standards are mandatory for the first time for financial year beginning 1st January 2009 but are not relevant to the Group's operations:

- HKAS 16 (Amendment) Property, Plant and Equipment;
- HKAS 19 (Amendment) Employee Benefits;
- HKAS 20 (Amendment) Accounting for Government Grants and Disclosure of Government Assistance;
- HKAS 27 (Amendment) Consolidated and Separate Financial Statements;
- HKAS 28 (Amendment) Investments in Associates;
- HKAS 29 (Amendment) Financial Reporting in Hyperinflationary Economies;
- HKAS 31 (Amendment) Interest in Joint Ventures;
- Amendments to HKAS 32 (Amendment), "Financial Instruments: Presentation", and HKAS 1 (Amendment), "Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation";
- HKAS 36 (Amendment) Impairment of Assets;
- HKAS 38 (Amendment) Intangible Assets;
- HKAS 39 (Amendment) Financial Instruments: Recognition and Measurement;
- Amendments to HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" and HK(IFRIC) — Int 9, "Reassessment of Embedded Derivatives";
- HK(IFRIC) — Int 9 Investment Property;
- HKAS 40 (Amendment) Agriculture;
- HKAS 41 (Amendment) Share-based Payment Vesting Conditions and Cancellations;
- HKFRS 2 (Amendment) Customer Loyalty Programmes;
- HK(IFRIC) — Int 13 Agreements for Construction of Real Estates; and
- HK(IFRIC) — Int 15 Hedges of a Net Investment in a Foreign Operation
- HK(IFRIC) — Int 16

The following amendment, revisions and interpretations to existing Standards have been issued but are not effective for financial year beginning 1st January 2009 and have not been early adopted:

- |                       |   | <b>Effective for<br/>accounting<br/>periods<br/>beginning<br/>on or after</b> |
|-----------------------|---|---|
| • HKAS 27 (Revised)   | Consolidated and Separate Financial Statements;                             | 1st July 2009   |
| • HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement — Eligible Hedged Items; | 1st July 2009   |
| • HKFRS 3 (Revised)   | Business Combinations;  | 1st July 2009   |
| • HK(IFRIC) — Int 17  | Distributions of Non-cash Assets to Owners; and                             | 1st July 2009   |
| • HK(IFRIC) — Int 18  | Transfers of Assets from Customers  | 1st July 2009   |

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

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments to existing Standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the interim results and financial position of the Group.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 4. Segment information

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

The Board of Directors 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 of Directors assesses the performance of the operating segments based on a measure of segment results and share of results of associated companies and jointly controlled entities.

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

The unaudited segment results of the Group for the six months ended 30th June 2009 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	48,162	92,607	—	2,119	30,714	173,602
Segment results	48,288	18,501	(4,221)	(1,485)	(8,684)	52,399
Unallocated net operating expenses						(15,678)
Operating profit						36,721
Finance costs	—	(85)	—	—	(20)	(105)
Share of profits less losses of						
— Associated companies	—	—	—	—	9,094	9,094
— Jointly controlled entities	—	—	—	4,648	2,343	6,991
Profit before taxation						52,701
Taxation						(4,066)
Profit for the period						48,635

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 4. Segment information (Continued)

The unaudited segment results of the Group for the six months ended 30th June 2008 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	(75,699)	144,236	—	2,325	47,647	118,509
Segment results	(68,125)	65,391	(1,352)	(1,656)	(2,301)	(8,043)
Unallocated net operating income						6,538
Operating loss						(1,505)
Finance costs	—	(536)	—	—	(132)	(668)
Share of profits less losses of						
— Associated companies	(17)	—	—	—	9,860	9,843
— Jointly controlled entities	—	—	—	3,085	113	3,198
Profit before taxation						10,868
Taxation						(10,220)
Profit for the period						648

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

The unaudited segment assets of the Group as at 30th June 2009 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	
Segment assets	165,147	955,572	733,370	298,776	441,368	2,594,233
Investments in associated companies	—	—	—	—	320,533	320,533
Investments in jointly controlled entities	—	—	—	133,412	25,669	159,081
Tax recoverable						5,434
Deferred tax assets						2,525
Corporate assets						250,832
Total assets						3,332,638

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 4. Segment information *(Continued)*

The audited segment assets of the Group as at 31st December 2008 are as follows:

	Audited					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	
Segment assets	136,100	610,491	550,001	282,365	380,132	1,959,089
Investments in associated companies	—	—	—	—	261,715	261,715
Investments in jointly controlled entities	—	—	—	134,378	22,678	157,056
Tax recoverable						4,107
Deferred tax assets						2,053
Corporate assets						276,516
Total assets						<u>2,660,536</u>

### 5. Other income and losses

	Unaudited Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Interest income	7,522	11,452
Others	(1,177)	(10)
	<u>6,345</u>	<u>11,442</u>

### 6. Operating profit/(loss)

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

	Unaudited Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
<b>Charging:</b>		
Depreciation	4,319	4,796
Amortisation of leasehold land and land use rights	3,282	3,289
Staff costs <i>(Note 7)</i>	50,187	45,888
	<u>57,788</u>	<u>54,073</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 7. Staff costs

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Wages, salaries and allowances	45,645	40,729
Retirement benefit costs	2,872	2,381
Other employee benefits	1,670	2,559
Employee share option benefits	—	219
	<u>50,187</u>	<u>45,888</u>

### 8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30th June	
	2009 HK\$'000	2008 HK\$'000
Hong Kong profits tax		
— Current	3,125	8,697
— Under-provision in previous years	—	89
Overseas profits tax		
— Current	674	1,066
— Over-provision in previous years	—	(455)
Deferred taxation	267	823
Taxation charge	<u>4,066</u>	<u>10,220</u>

### 9. 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\$51,315,000 (2008: HK\$2,888,000). The basic earnings per share is based on the weighted average number of 1,396,885.775 (2008: 1,393,337.189) shares in issue during the period.

The diluted earnings per share is based on 1,402,204,317 (2008: 1,407,771,279) shares which is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options outstanding during the period which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 10. Interim dividend

The Board of Directors does not recommend the payment of an interim dividend (2008: HK\$Nil) for the six months ended 30th June 2009.

### 11. Capital expenditure

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000	Properties under development HK\$'000
Net book value at 1st January 2009	3,393	76,567	47,897	389,711	90,027
Additions	—	58,287	—	—	68,471
Disposals	—	(477)	—	—	—
Depreciation and amortisation <i>(Note 6)</i>	—	(4,319)	—	(3,282)	—
Amortisation capitalised in properties under development	—	—	—	(1,672)	1,672
Exchange differences	—	26	—	127	36
Net book value at 30th June 2009	<u>3,393</u>	<u>130,084</u>	<u>47,897</u>	<u>384,884</u>	<u>160,206</u>

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000	Properties under development HK\$'000
Net book value at 1st January 2008	3,393	63,567	43,766	309,498	15,843
Additions	—	8,149	—	—	27,627
Disposals	—	(294)	—	—	—
Depreciation and amortisation <i>(Note 6)</i>	—	(4,796)	—	(3,289)	—
Amortisation capitalised in properties under development	—	—	—	(709)	709
Exchange differences	—	2,263	—	13,911	953
Net book value at 30th June 2008	<u>3,393</u>	<u>68,889</u>	<u>43,766</u>	<u>319,411</u>	<u>45,132</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 12. Trade receivables

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	2,222	24,172
Due from stockbroking clients	126,746	46,345
Trade receivables	47,858	69,697
Bills receivables	971	1,587
	177,797	141,801
Provision for impairment	(7,189)	(7,305)
	<b>170,608</b>	<b>134,496</b>

At 30th June 2009 and 31st December 2008, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
0 — 30 days	151,210	116,593
31 — 60 days	3,661	5,354
61 — 90 days	3,171	3,381
Over 90 days	12,566	9,168
	<b>170,608</b>	<b>134,496</b>

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 receivable attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivable 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.

### 13. Trade and other payables

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Due to stockbrokers and dealers	16,437	—
Due to stockbroking clients	113,873	63,458
Trade payables	40,637	30,350
Total trade payables	170,947	93,808
Advance receipts from customers	182,867	85,017
Accruals and other payables	64,102	55,565
	<b>417,916</b>	<b>234,390</b>



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 13. Trade and other payables *(Continued)*

At 30th June 2009 and 31st December 2008, the ageing analysis of total trade payables is as follows:

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
0 — 30 days	142,376	65,021
31 — 60 days	8	1,126
61 — 90 days	5,060	840
Over 90 days	23,503	26,821
	<u>170,947</u>	<u>93,808</u>

### 14. Borrowings

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
<b>Non-current</b>		
Bank loans — secured	17,016	—
<b>Current</b>		
Bank loans — unsecured	280,000	—
Other loans — unsecured	3,403	3,402
	<u>283,403</u>	<u>3,402</u>
	<u>300,419</u>	<u>3,402</u>

As at 30th June 2009, the Group has pledged properties and leasehold land and land use rights with an aggregate net book value of approximately HK\$112 million and deposits with banks of approximately HK\$15 million against its bank loans and general banking facilities amounting to HK\$17 million utilised. As at 31st December 2008, the Group has pledged properties and leasehold land and land use rights with an aggregate net book value of approximately HK\$59 million, deposits with banks of approximately HK\$5 million and short-term bank deposits of HK\$10 million against its bank loans and general banking facilities amounting to HK\$16 million utilised.

The effective interest rate at 30th June 2009 ranged from 1.1% to 5.94% (2008: 4.32%). The carrying amounts of borrowings approximate their fair values and are denominated in Hong Kong dollar and Renminbi.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 15. Share capital

	Unaudited 30th June 2009		Audited 31st December 2008	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Authorised: Ordinary shares of HK\$0.2 each	<u>2,000,000</u>	<u>400,000</u>	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January	1,396,383	279,277	1,391,463	278,293
Exercise of share options	<u>2,000</u>	<u>400</u>	<u>4,920</u>	<u>984</u>
	<u>1,398,383</u>	<u>279,677</u>	<u>1,396,383</u>	<u>279,277</u>

During the period, 2,000,000 (2008: 4,920,000) new shares of HK\$0.2 each were issued upon exercise of options under the Employee Share Option Scheme adopted by the Company on 24th May 2002 at an exercise price of HK\$0.68 (2008: HK\$0.68) per share. The related weighted average share price at the time of exercise was HK\$1.080 (2008: HK\$1.582) per share. These shares rank pari passu with the existing shares of the Company.

### 16. Commitments

#### (a) Capital commitments for properties under development, and property, plant and equipment

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Contracted but not provided for	<u>318,722</u>	<u>290,342</u>
Authorised but not contracted	<u>610,497</u>	<u>740,627</u>

#### (b) Commitments under operating leases

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

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Not later than one year	2,140	2,682
Later than one year but not later than five years	2,667	3,340
More than five years	<u>142</u>	<u>335</u>
	<u>4,949</u>	<u>6,357</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 16. Commitments *(Continued)*

#### (b) Commitments under operating leases *(Continued)*

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

	Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
Not later than one year	6,467	7,359
Later than one year but not later than five years	2,359	4,737
	<b>8,826</b>	<b>12,096</b>

### 17. Related party transactions

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

	Unaudited Six months ended 30th June 2009 HK\$'000	2008 HK\$'000
Fees	750	720
Salaries and other employee benefits	3,523	3,531
Retirement benefit costs	299	299
	<b>4,572</b>	<b>4,550</b>

### 18. Contingent liabilities

As at 30th June 2009, the Group had no material contingent liabilities.

### 19. Event after balance sheet date

On 31st August 2009, the Company disposed of its entire equity interest in the wholly-owned subsidiaries, Wise Corporate Group Limited and First Shanghai Assets (Kunshan) Company Limited, which had interests in two pieces of land located in Chinese Mainland, for a cash consideration of HK\$108 million. The estimated gain on disposal is about HK\$33 million.

## BUSINESS REVIEW

During the first half of 2009, the global economies began to gain traction after the financial crisis of last year. Fears of a prolonged global recession, governments and central banks around the world have implemented forceful fiscal and monetary policies. Although impact of these supportive measures takes time to realise and economic data remained weak during the period, preliminary signs of stabilisation and recovery have emerged. Global financial markets rebounded strongly at the second quarter of 2009 with the signs of optimism over economic recovery and expectation on the outperforming economic outlook in Chinese Mainland.

The global economic downturn has adversely impacted the Group's financial services and property development businesses. Operating results from corporate finance, stockbroking and direct investment were restrained with the generally poor investment environment. Nevertheless, performance of securities trading improved by capturing the recent rally in the stock markets. During this challenging period, the Group reported a consolidated net profit attributable to shareholders of the Company for the six months ended 30th June 2009 of approximately HK\$51 million, mainly benefited from the strong rebound in the stock markets, comparing with a net profit of approximately HK\$3 million in corresponding period of 2008.

The total net assets of the Group increased slightly by 8% from approximately HK\$2,394 million as at 31st December 2008 to approximately HK\$2,584 million as at 30th June 2009. Part of the increase is due to the raise in share price of Shenyin Wanguo (H.K.) Limited, which is held by the Group for long-term strategic purpose. The change in fair value of this investment will not be captured in the income statement but included in the reserve account.

The Group adhered to its strategic plan and devoted its efforts and resources to accelerating its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

### Financial Services

Tracking the global financial market, Hong Kong stock market fell initially on uncertainties over the global economic performance and worries about the distressed economic recession. The Hang Seng Index dropped to this year's trough at 11,344 in March. With preliminary signs of stabilisation in economies and strong capital inflow to Hong Kong, the Hang Seng Index surged to 18,378 on 30th June 2009, representing a 62% rebound from the trough. During the first half of 2009, the average daily market turnover plunged by 33% to HK\$58.3 billion from corresponding period of 2008, despite a slight increase of 2% from the second half of 2008. Total market capitalisation reported a drop by 13% to HK\$14.1 trillion from corresponding period of 2008 but a sharp raise of 37% from end of 2008.

Amid the market fluctuation, securities broking, underwriting and corporate finance activities were unavoidably dwindled. Both brokerage commission and underwriting commission, vulnerable to the contraction in trading volume, declined when compared with the first half of 2008. In 2009, increasing market activities during the second quarter saw the Group's stockbroking business post improved results following a relatively quiet first three months. The Group's margin financing business remained stable on the back of improving market sentiment.

## **BUSINESS REVIEW** *(Continued)*

### **Financial Services** *(Continued)*

Following the financial turmoil in the last quarter of 2008, the corporate finance activities within the market continue to be sluggish during the first half of 2009. Our corporate finance division, as an active player in the financial advisory, completed 11 corporate advisory assignments and acted as compliance advisers to 3 listed companies during the first half of 2009. The market sentiment toward IPOs and the secondary market has been improved recently. We will continue to focus on seeking more financial advisory deals for mergers and acquisitions and other corporate transactions under the current challenging market condition. It is also our strategy to continue seek for IPO sponsorship opportunities in addition to the financial advisory services.

### **Property and Hotel**

The Chinese government continued to adopt active fiscal policies and moderately loose monetary policies to promote stable and fairly fast economic growth. With the implementation of massive industrial stimulus, including subsidies on mortgage loans and taxes for property purchases, and the notably capital inflow to the country, residential property market in Chinese Mainland has sustained steadily upward trend. During the first half of 2009, transaction volume, transaction gross floor area and average selling price were all increased from its footings in last year.

The Group continues its focus in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts. It is also our strategy to develop properties in fast growing second-tier cities in Chinese Mainland such as Wuxi and Zhongshan. Our Property and Hotel Sector is now participating in four development projects of which two are still under development while the one in Kunshan has launched its pre-sales and approaching to completion. As our target customers are primarily homebuyers within the region, sales progress is satisfactory.

On 31st August 2009, the Group disposed of its entire equity interest in the wholly-owned subsidiaries, Wise Corporate Group Limited and First Shanghai Assets (Kunshan) Company Limited, which primarily hold two pieces of land located in Kunshan, for a cash consideration of HK\$108 million. The estimated gain on disposal was approximately HK\$33 million. After this disposal, the Group has accumulated land for development up to a total gross floor area of approximately 305,000 square meters. The management remains firmly committed in the property development market in Chinese Mainland and will continue to seek for enhancement in its market penetration.

### **Direct Investment**

Under the adverse market condition, the Group has limited acquisitions or disposals of investment projects completed in the first half of 2009. We have continued to exercise a high level of caution in managing our assets portfolio during this extremely uncertain period. China Assets (Holdings) Limited ("China Assets"), continues to be the major investment of our Direct Investment Sector, shown slight recovery with gradual raise in assets price, including KongZhong Corporation, Shangdong Lukang Pharmaceutical Co., Ltd. and two private securities funds. During the first half of 2009, China Assets recorded net profit and investment reserve increments attributable to the Group of approximately HK\$9 million and HK\$50 million respectively.

## PROSPECTS

The market outlook is still uncertain. With uncertainties on market liquidity and mounting fear of inflation that linger market confidence, recovery on the core global economy remain suppressed. Nevertheless, following the spectacular rally in the second quarter in 2009, the global economic downturn has slowed down. It is the general expectation that economy in Chinese Mainland will get better. The Group is optimistic about the medium and long term development of the financial and property markets. In the short term, the Group will follow closely the change in the trend of the macro economy, the regulatory environment and the inflation expectation and to assess their effects on our business challenges. And with China on the back, we believe, Hong Kong will be undoubtedly able to revive with a more favourable pace of economic pick up.

Backing on our brand recognition and business network, the Group will continue its normal pace in expansion of its presence in both financial services and property development market in Chinese Mainland. We will continue to monitor the market needs to enhance our products and services quality, to capitalise our professional team and to refine the operational efficiency so as to strengthen our market penetration and consolidate for capture future business opportunities. Meanwhile, we will continue to pursue, on an active and prudent approach, strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial results

For the six months ended 30th June 2009, the Group recorded a net profit attributable to shareholders of approximately HK\$51 million, representing an increase of 17 times over the corresponding period of 2008 of approximately HK\$3 million. Basic earnings per share attributable to the shareholders of the Company grew from HK0.21 cents in 2008 to HK3.67 cents in 2009. Revenue of the Group was approximately HK\$174 million, representing an increase by 46% over the same period of 2008.

### Liquidity and financial resources

The Group relies principally on its internal resources to fund its operations and investment activities. Bank loan is raised occasionally to meet the different demands of our various investment projects. As at 30th June 2009, the Group had raised IPO and other bank loans of approximately HK\$300 million and held approximately HK\$993 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 12%. Investment in financial assets at fair value through profit or loss as at 30th June 2009 amounted to approximately HK\$158 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will remain in a stable pattern for the remaining period of 2009. The Group has no significant exposure to other foreign exchange fluctuations.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### Pledge of assets

As at 30th June 2009, the Group has pledged properties and leasehold land and land use rights with an aggregate net book value of approximately HK\$112 million and deposits with banks of approximately HK\$15 million against its bank loans and general banking facilities amounting to HK\$17 million utilised. As at 31st December 2008, the Group has pledged properties and leasehold land and land use rights with an aggregate net book value of approximately HK\$59 million, deposits with banks of approximately HK\$5 million and short-term bank deposits of HK\$10 million against its bank loans and general banking facilities amounting to HK\$16 million utilised.

### Human resources

As at 30th June 2009, the Group employed 484 (30th June 2008: 580) staff, of which 386 are located in Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the six months ended 30th June 2009 amounted to approximately HK\$50 million.

### Material acquisitions, disposals and significant investments

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

### Contingent liabilities

As at 30th June 2009, the Group had no material contingent liabilities.

## INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend (2008: HK\$Nil) for the six months ended 30th June 2009.

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

At 30th June 2009, 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. Lao Yuan-Yi (Note)	Long position	106,741,636	72,952,000	179,693,636	12.85%
Mr. Xin Shulin, Steve	Long position	8,032,000	—	8,032,000	0.57%
Mr. Yeung Wai Kin	Long position	21,184,304	—	21,184,304	1.51%
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 Qi-Hao	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. Lao Yuan-Yi.

### (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. Lao Yuan-Yi	China Assets	Long position	1,575,000	1,575,000	2.06%
Mr. Yeung Wai Kin	China Assets	Long position	1,350,000	1,350,000	1.76%

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 "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"). 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.

Movement of share options during the six months ended 30th June 2009 is as follows:

	Options held at 1st January 2009	Options exercised during period (Note 2)	Options held at 30th June 2009	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:							
Mr. Lao Yuan-Yi	11,944,000	—	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Xin Shulin, Steve	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yeung Wai Kin	11,810,000	—	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Kwok Lam Kwong, Larry, B.B.S., J.P.	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. Woo Chia-Wei	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Liu Ji	500,000	—	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yu Qi-Hao	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	9,930,000	(2,000,000)	7,930,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	<u>4,000,000</u>	<u>—</u>	<u>4,000,000</u>	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	<u>57,248,000</u>	<u>(2,000,000)</u>	<u>55,248,000</u>				

## SHARE OPTIONS *(Continued)*

### Notes:

- (1) No share options were granted or lapsed under the Scheme during the six months ended 30th June 2009.
- (2) During the period, 2,000,000 shares options were exercised under the Scheme with an exercise price at HK\$0.68 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$1.085 per share.
- (3) No share options granted under the Scheme were cancelled during the six months ended 30th June 2009.
- (4) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2008.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2009, the Company had been notified of the following substantial shareholders' 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 of HK\$0.2 each in the Company:

		Personal Interests	Family Interests	Corporate Interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	—	—	247,674,500	247,674,500	17.71%
Ms. Chan Chiu, Joy ("Ms. Chan") (Note 2)	Long position	159,680,000	12,432,000	57,592,000	229,704,000	16.43%
Mr. Yin Jian, Alexander ("Mr. Yin") (Note 2)	Long position	12,432,000	159,680,000	57,592,000	229,704,000	16.43%

### 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.

## 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.

## 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 Qi-Hao and Mr. Zhou Xiaohu. The Audit Committee acts in an advisory capacity and makes recommendations to the Board.

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 interim financial statements for the six months ended 30th June 2009 for approval by the Board.

## REMUNERATION COMMITTEE

A Remuneration Committee, now comprising three independent non-executive directors, Prof. Woo Chia-Wei, Mr. Yu Qi-Hao and Mr. Zhou Xiaohu and an executive director, Mr. Lao Yuan-Yi, was established on 30th June 2005. The 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. Meetings will be held in the second half of this year to discuss the above for the year of 2009 in details.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the period, except for the deviation of Code A.2.1 of the CG Code.

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Lao Yuan-Yi holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Lao 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.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of the Listing Rules ("Model Code"). Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

By order of the Board

**LAO Yuan-Yi**

*Chairman*

Hong Kong, 18th September 2009