第一上海
FIRST SHANGHAI GROUP

First Shanghai Investments Limited

Stock Code: 227

Interim Report

2018

CONTENTS

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 Xiaohe

NOMINATION COMMITTEE

Prof. WOO Chia-Wei *(Chairman)*
Mr. LO Yuen Yat
Mr. YU Qihao
Mr. ZHOU Xiaohe

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohe *(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 Xiaohe

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation, Hong Kong Branch
Dah Sing Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

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17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

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

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June 2018 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

In the first half of 2018, the global financial markets were very volatile mainly due to international trade tension and a series of political issues. The economy of most major countries is recovering since 2017, but the growth is affected by the international trade protectionism initiated by the US. The US financial market has reported strong momentum with solid corporate earnings. However, there was increasing concern over tighter monetary policy and trade conflicts among various countries. In Europe, the situation is diversified. Political uncertainties were witnessed in Spain and Italy while with easing concerns about monetary tightening by the European Central Bank, general market sentiment was improved. In Asia, the financial market was volatile due to fluctuation on currency of various countries, political uncertainties in North Korea and unexpected periodic economic contraction in Japan.

In China, fruitful from constant increase in domestic consumption and improvement in manufacturing sector, the general economy continued to sustain with steady growth rate. Sound development was recorded on various servicing industries through deepening structural reform while new dynamic was demonstrated in new economic industries. On the other hand, the property market is faced with greater controls on price while tightening measures were implemented on various major cities, resulting in apparent regional differentiation. Tracking to worries over trade conflicts with the US, tightening policy on credit deleveraging and fluctuation in Renminbi, the stock market declined during the period under review.

In Hong Kong, the financial market reported historical high at the beginning of the year with rapid trading activities. However, since February, the stock market fluctuated vigorously with concerns on interest rate hikes and interbank liquidity due to the strong US dollar. Market momentum was weakened with concerns about trade conflicts among the US and China and the depreciation seen on Renminbi.

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.

2018 was a challenging year with significant fluctuation witnessed on the financial market due to various external factors. Hang Seng Index rose to its historical high at 33,484 in January with trading volume increased significantly, outperformed from most regional and international markets. During the reporting period, the Financial Services Sector, with long established customer base and experienced expertise, was able to align with the market trend resulting in an encouraging growth rate on our brokerage and underwriting businesses. Besides, our corporate finance team was able to successfully launch one IPO transaction on the Main Board. However, the growth on overall operating profit from the Financial Services Sector has been reduced by the trading loss reported from securities investment tracking the volatile market and overall decline in stock prices.

During 2018, the property market in China as a whole reported stable development. Different regions have implemented different control measures despite the general government policy to hinder over-expansion of the industry which may affect the national economy. Overall market witnessed a clear regional differentiation. Our property development and investment business was continuously hindered by the huge inventory level due to limitation on product mixture and slow construction progress due to various regional policies. In spite of these, the Group has completed the development of the villas of Huangshan project in early 2018 and revenue from selling of some of the units was recognized during the reporting period. On the other hand, due to general reduction on property prices of our investment properties, the Group has recorded revaluation loss, as contrast to revaluation gain reported in last year, leading to a net operating loss from Property and Hotel Sector.

Since late 2017, the Group has committed to explore its presence in the medical and healthcare industry in Hong Kong, by setting up a new medical centre in Central, offering full ranges of medical and healthcare services. During the initial set up stage, we have invested substantive capital for the renovation and advanced medical equipments, especially at our imaging centre, day surgery centre, IVF centre and central pharmacy. In result, operating loss was reported with significant depreciation and rental expenses incurred. In the second half of 2018, we plan to cooperate with more strategic partners with different specialists and introduce more corporate clients so as to maximize the utilization rate of all service centres. It has always been our focus to strike a reasonable balance between the needs for near-term returns and long-term development, as well as the expectations of our customers and shareholders. Apart from operating our financial services business, we shall have the new medical centre as our new key profit generator in future.

For the six months ended 30th June 2018, the Group reported a net profit attributable to shareholders of approximately HK$20 million, representing a slight reduction as compared to approximately HK$24 million reported from the corresponding period of 2017. The basic earnings per share attributable to the shareholders of the Company was HK1.39 cents.

PROSPECTS

Looking forward, given the intensified trade conflicts between the US and China, increase in interest rates, the investors' pessimistic expectation about the economy and the concerns on downward trend of market valuation, we are of the view that economic imbalances and market fluctuation will continue for the rest of the year. Uncertainties on exchange rate of Renminbi and strong US dollar will also hinder international trade and thus economic growth. Being closely connected with the economy of Mainland China and as a financial hub with high liquidity on capital flow, Hong Kong will definitely be affected by all these factors in short run. On the other hand, we expect the Central Government will continue its sustainable measures to stabiles economic reform and promote revitalised policies to wipe out potential market risks in long run.

With experienced expertise and diversified business strategies, we will continue to closely keep up with market developments and control potential market risks. We will ride on the market trend and forge ahead with plans to consistently push forward our existing investment strategy by focusing on our core financial services business and continue the expansion of the medical and healthcare business so as to formulate long term sustainable development of the Group. We will also keep on seeking prosperous opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2018, the Group reported a net profit attributable to shareholders of approximately HK$20 million, representing a slight reduction as compared to approximately HK$24 million reported from the corresponding period of 2017. This result was mainly attributable to the recognition of revaluation loss as contrast to revaluation gain recorded in last year, for the investment properties held by the Group. In addition, our securities investment portfolio recorded a trading loss due to the downward trends of the Hong Kong stock market. The impact was partially offset by the increase in brokerage commission income with higher market turnover recorded in early 2018 and the recognition of sales of certain properties of Huangshan property development project since 2018. The basic earnings per share attributable to the shareholders of the Company was HK1.39 cents. Revenue of the Group was approximately HK$263 million, representing an increase by 26% over the same period of 2017 with the new revenue stream reported from our newly set up medical centre and the recognition of sales of flats in Huangshan. Total net assets of the Group reported slight decrease by 1% to approximately HK$2,829 million when compared with approximately HK$2,862 million as at 31st December 2017.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. For the first half of 2018, the operating profit reported from Financial Services Sector raised by 12% when compared with 2017. This was mainly attributable to the robust of trading activities in the first quarter due to high market volatility and the increase in number of underwriting transactions completed by the Group in 2018.

During the reporting period, the Hong Kong stock market was extremely volatile while the market trading was active. The monthly market turnover reached HK$3,541 billion in January 2018 when Hang Seng Index rose to a historical high. After the US announced its plans to increase the custom duty on Chinese products and the potential fight back responses from the Central Government in March 2018, trade war is about to begin. Negative sentiment spread over the Hong Kong stock market resulting in general drops in the financial market. Nevertheless, the average daily market turnover increased by 67% from HK$76 billion in the first half of 2017 to HK$127 billion when compared with that of 2018. Our brokerage business, with wide customer base, followed the market trend, and reported an increase in brokerage commission income by 38% in the first half of 2018. However, affected by the volatile market and overall declines in stock prices, a trading loss was reported from our securities investment business.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2018, we have launched one IPO transaction and completed eleven financial advisory cases. In addition, six IPO cases were under processing. Income from advisory services for 2018 decreased by 46% as there was a sizable general offer deal completed in the first half 2017 while most of our IPO cases were newly committed with limited recognisable income.

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 2018, due to general reduction on property prices, the Group has recorded revaluation loss on its investment properties. Operating loss from Property and Hotel Sector was reported as compared with operating profit in the corresponding period last year. However, revenue from sales of properties increased by 5.6 times as compared to the corresponding period in 2017 after the recognition of sales of certain flats from our Huangshan development project commencing 2018 following its construction completion. The Group will continue to focus on completion of development projects and sales of stocks.

Our property investment and management business, one of the steady income generators of the Group, reported an increase in revenue by 16% as compared with the corresponding period in 2017. For investment properties held by the Group, valuation loss of HK$12 million was recorded as compared to valuation gain of HK$28 million in the corresponding period in 2017 due to the general decrease in property prices.

For the six months ended 30th June 2018, revenue from hotel and golf operations slightly increased by 4% as compared with the corresponding period in 2017. It was mainly attributable to the improvement in average room rate due to increase in number of corporate clients.

Medical and Healthcare
The Group entered into the Medical and Healthcare Sector since late 2017 by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. Our business commenced with the imaging centre and check-up centre and has extended its services scope to day surgery centre and specialists clinic in 2018. For the six months ended 30th June 2018, revenue of HK$10 million was recorded while there was no comparison figure for the corresponding period in 2017. Operating loss of HK$38 million was recorded given the fact that the medical centre is not operating in full capacity while high rental and depreciation expenses on medical equipments were incurred.

Direct Investment
The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. While no new direct investment has been launched in 2018, operating loss from Direct Investment Sector reported was approximately the same as compared with the corresponding period in 2017.

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 2018, the Group had raised bank and other loans of approximately HK$841 million (31st December 2017: HK$647 million) and held approximately HK$423 million (31st December 2017: HK$271 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) increased by 7% to 29.7% (31st December 2017: 22.6%).

During the reporting period, there was no change on the Group's overall share capital structure. As at 30th June 2018, the total number of issued ordinary shares was 1,418,973,012 shares (31st December 2017: 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). 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.

MATERIAL ACQUISITIONS AND DISPOSAL

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

CHARGES OF GROUP ASSETS

The Group has charged freehold land, properties, construction-in-progress, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK$1,030 million (31st December 2017: HK$993 million) and fixed deposits of approximately HK$39 million (31st December 2017: HK$39 million) against its bank loans, general banking facilities and bank guarantee. The banking facilities amounted approximately HK$237 million (31st December 2017: HK$228 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 2018, total contingent liabilities relating to these guarantees amounted to approximately HK$9 million (31st December 2017: HK$8 million).

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 2018, the Group employed 675 (30th June 2017: 649) staff, of whom 469 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2018 amounted to approximately HK$109 million (30th June 2017: HK$92 million).

	Note	Unaudited Six months ended 30th June 2018 HK$'000	 2017 HK$'000
Revenue	5	**262,880**	208,872
Cost of sales		**(87,982)**	(49,817)
Gross profit		**174,898**	159,055
Other (losses)/gains — net	6	**(6,827)**	35,430
Selling, general and administrative expenses		**(163,292)**	(155,819)
Operating profit	5 and 7	**4,779**	38,666
Finance income	8	**20,711**	14,431
Finance costs	8	**(13,612)**	(9,529)
Finance income — net	8	**7,099**	4,902
Share of results of joint ventures		**4,882**	3,783
Profit before taxation		**16,760**	47,351
Taxation	10	**789**	(20,893)
Profit for the period		**17,549**	26,458
Attributable to:			
Shareholders of the Company		**19,776**	24,155
Non-controlling interests		**(2,227)**	2,303
		17,549	26,458
Earnings per share attributable to shareholders of the Company			
— Basic	11	**HK1.39 cents**	HK1.70 cents
— Diluted	11	**HK1.39 cents**	HK1.70 cents

The notes on pages 15 to 36 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30th June	
	2018	2017
	HK$'000	HK$'000
Profit for the period	**17,549**	26,458
Other comprehensive (loss)/income		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
— Fair value loss on available-for-sale financial assets	**–**	(27,773)
— Exchange reserve realised upon disposal of a joint venture	**–**	(3,373)
— Currency translation differences	**(20,217)**	44,455
Items that will not be reclassified to profit or loss		
— Fair value loss on financial assets at fair value through other comprehensive income	**(27,413)**	–
Other comprehensive (loss)/income for the period, net of tax	**(47,630)**	13,309
Total comprehensive (loss)/income for the period	**(30,081)**	39,767
Attributable to:		
Shareholders of the Company	**(27,291)**	35,330
Non-controlling interests	**(2,790)**	4,437
	(30,081)	39,767

The notes on pages 15 to 36 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Non-current assets			
Intangible assets	13	**2,126**	2,126
Property, plant and equipment	13	**660,104**	608,417
Investment properties	13	**561,408**	566,029
Leasehold land and land use rights	13	**44,635**	45,636
Investment in a joint venture		**219,927**	224,037
Deferred tax assets		**24,483**	17,405
Available-for-sale financial assets	3(b)	**—**	184,630
Financial assets at fair value through other comprehensive income	3(b)	**157,217**	—
Loans and advances		**2,278**	3,750
Finance lease receivables		**812**	1,042
Other non-current prepayments and deposits		**35,754**	49,322
Total non-current assets		**1,708,744**	1,702,394
Current assets			
Inventories	14	**604,865**	634,110
Loans and advances		**1,379,788**	1,534,062
Trade receivables	15	**318,288**	222,365
Other receivables, prepayments and deposits		**79,644**	70,630
Finance lease receivables		**517**	298
Tax recoverable		**10,792**	11,351
Financial assets at fair value through profit or loss		**22,191**	26,314
Deposits with banks		**38,289**	24,264
Client trust bank balances		**3,519,115**	2,781,688
Cash and cash equivalents		**384,699**	246,375
Total current assets		**6,358,188**	5,551,457
Current liabilities			
Trade and other payables	16	**4,278,921**	3,629,814
Tax payable		**39,942**	29,758
Borrowings	17	**657,943**	441,523
Total current liabilities		**4,976,806**	4,101,095
Net current assets		**1,381,382**	1,450,362

	Note	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Total assets less current liabilities		**3,090,126**	3,152,756
Non-current liabilities			
Deferred tax liabilities		**60,708**	67,226
Borrowings	17	**183,251**	205,764
Other non-current liabilities		**17,641**	18,232
Total non-current liabilities		**261,600**	291,222
Net assets		**2,828,526**	2,861,534
Equity			
Share capital	18	**1,162,940**	1,162,940
Reserves		**1,593,786**	1,624,004
Capital and reserves attributable to the Company's shareholders		**2,756,726**	2,786,944
Non-controlling interests		**71,800**	74,590
Total equity		**2,828,526**	2,861,534

The notes on pages 15 to 36 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Net cash inflow from operating activities	**50,902**	22,144
Overseas taxation paid	**(1,326)**	(2,080)
Net cash generated from operating activities	**49,576**	20,064
Cash flows from investing activities		
Interest received	**20,634**	11,326
Purchase of property, plant and equipment	**(97,384)**	(27,628)
Deposit paid for property, plant and equipment	**(9,083)**	(21,359)
Proceeds from disposal of property, plant and equipment	**484**	118
Proceeds from disposal of investment properties	**–**	8,465
Proceeds from disposal of a joint venture	**–**	35,151
Dividends received from a joint venture	**6,917**	5,632
Increase in deposits with banks	**(14,025)**	(2,012)
Net cash (used in)/generated from investing activities	**(92,457)**	9,693
Cash flows from financing activities		
Interest paid	**(14,384)**	(9,529)
Proceeds from borrowings	**634,000**	320,000
Repayments of borrowings	**(438,060)**	(343,826)
Dividend paid to non-controlling interests	**–**	(1,037)
Net cash generated from/(used in) financing activities	**181,556**	(34,392)
Net increase/(decrease) in cash and cash equivalents	**138,675**	(4,635)
Cash and cash equivalents at 1st January	**246,375**	274,929
Exchange differences	**(351)**	3,278
Cash and cash equivalents at 30th June	**384,699**	273,572

The notes on pages 15 to 36 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited								
	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
Balance at 31st December 2017 as originally presented	**1,162,940**	**38,258**	**12,334**	**124,224**	**–**	**79,536**	**1,369,652**	**74,590**	**2,861,534**
Change in accounting policies *(Note 3(b))*	**–**	**–**	**–**	**(124,224)**	**124,224**	**–**	**(2,927)**	**–**	**(2,927)**
Restated total equity at 1st January 2018	**1,162,940**	**38,258**	**12,334**	**–**	**124,224**	**79,536**	**1,366,725**	**74,590**	**2,858,607**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**19,776**	**(2,227)**	**17,549**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(27,413)**	**(19,654)**	**–**	**(563)**	**(47,630)**
Total comprehensive loss for the period ended 30th June 2018	**–**	**–**	**–**	**–**	**(27,413)**	**(19,654)**	**19,776**	**(2,790)**	**(30,081)**
At 30th June 2018	**1,162,940**	**38,258**	**12,334**	**–**	**96,811**	**59,882**	**1,386,501**	**71,800**	**2,828,526**

	Unaudited								
	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1st January 2017	1,162,940	34,383	38,213	12,334	194,850	(4,646)	1,273,370	68,426	2,779,870
Profit for the period	–	–	–	–	–	–	24,155	2,303	26,458
Other comprehensive income	–	–	(165)	–	(27,773)	38,948	165	2,134	13,309
Total comprehensive income for the period ended 30th June 2017	–	–	(165)	–	(27,773)	38,948	24,320	4,437	39,767
Transfer of reserve upon lapse of share options	–	(34,383)	–	–	–	–	34,383	–	–
Dividend paid	–	–	–	–	–	–	–	(1,037)	(1,037)
	–	(34,383)	–	–	–	–	34,383	(1,037)	(1,037)
At 30th June 2017	1,162,940	–	38,048	12,334	167,077	34,302	1,332,073	71,826	2,818,600

The notes on pages 15 to 36 form an integral part of this condensed consolidated financial information.

1. GENERAL INFORMATION

First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, 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 2017 that is included in the condensed consolidated financial information for the six months ended 30th June 2018 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 2017 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 these 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 24th August 2018.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2018 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 2017, 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 2017, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of the following standards:

HKFRS 9	Financial Instruments; and
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these new accounting standards are disclosed in Note 3(b) below. The other standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of changes in accounting policies

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 *Financial Instruments* from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of changes in accounting policies (continued)

(i) Adoption of HKFRS 9 (continued)

The total impact on the Group's retained earnings due to adoption of HKFRS 9 as at 1st January 2018 is as follows:

	HK$'000
Closing retained earnings at 31st December 2017 — HKAS 39	1,369,652
Adjustment to retained earnings from adoption of HKFRS 9:	
Increase in provision for loans and advances	(2,927)
Opening retained earnings at 1st January 2018 — HKFRS 9	1,366,725

Classification and measurement

On 1st January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available-for-sale financial assets ("AFS") HK$'000	Financial assets at fair value through other comprehensive income ("FVOCI") HK$'000
Closing balance at 31st December 2017 — HKAS 39	184,630	—
Reclassification	(184,630)	184,630
Opening balance at 1st January 2018 — HKFRS 9	—	184,630

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of changes in accounting policies (continued)

(i) Adoption of HKFRS 9 (continued)

Classification and measurement (continued)

The Group has elected to present in other comprehensive income ("OCI") changes in the fair value of its equity instruments previously classified as AFS, because these investments are held as long-term strategic investments. As a result, assets with a fair value of HK$184,630,000 were reclassified from AFS to FVOCI and fair value gains of HK$124,224,000 were reclassified from the AFS reserve to the FVOCI reserve on 1st January 2018.

Equity securities — held for trading are required to be held as financial assets at fair value through profit or loss under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

Impairment of financial assets

The Group has two main types of financial assets that are subject to assessment of new expected credit loss model according to HKFRS 9:

- trade receivables; and
- other financial assets carried at amortised cost (including cash and cash equivalents, loans and advances, and other receivables)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology in the Group's retained earnings and equity is disclosed above.

(I) Trade receivables

The Group applies general expected credit loss model to measuring expected credit losses for trade receivables from brokerage business. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables from other businesses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of changes in accounting policies (continued)

(i) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

(I) Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The adoption of expected credit loss model under HKFRS 9 did not have material impact on the Group's allowance for impairment of trade receivables calculated under HKAS 39.

(II) Other financial assets at amortised cost

Other financial assets at amortised cost include loan and advances and other receivables. The Group has applied the expected credit loss model to loans and advances and other receivables as at 1st January 2018 and the change in impairment methodologies has increased the provision of HK$2,927,000 to the Group's consolidated financial statements and the opening loss allowance.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Adoption of HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction Contracts*, which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings at 1st January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1st January 2018.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of changes in accounting policies (continued)

(ii) Adoption of HKFRS 15 (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(I) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

- When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained earnings as at 1st January 2018.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Impact of changes in accounting policies (continued)

(ii) Adoption of HKFRS 15 (continued)

(II) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1st January 2018		
	As previously stated HK$'000	Reclassification under HKFRS 15 HK$'000	Restated HK$'000
Consolidated balance sheet (extract)			
Other payables — contract liabilities	–	34,589	34,589
Other payables — advance receipts from customers	34,589	(34,589)	–

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 2017.

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 joint ventures.

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

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results of the Group for the six months ended 30th June 2018 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
Revenue	**156,640**	**30,618**	**62,748**	**10,373**	**2,501**	**262,880**
Segment results	**71,918**	**5,881**	**(8,292)**	**(38,412)**	**(4,371)**	**26,724**
Unallocated net operating expenses						**(21,945)**
Operating profit						**4,779**
Finance income – net						**7,099**
Share of results of a joint venture	**–**	**–**	**4,882**	**–**	**–**	**4,882**
Profit before taxation						**16,760**

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

The unaudited segment results of the Group for the six months ended 30th June 2017 are as follows:

	Unaudited				
	Financial services HK$'000	Property development HK$'000	Property investment and hotel HK$'000	Direct investment HK$'000	HK$'000
Revenue	143,012	4,621	59,042	2,197	208,872
Segment results	64,366	(6,306)	33,272	(33,476)	57,856
Unallocated net operating expenses					(19,190)
Operating profit					38,666
Finance income – net					4,902
Share of results of joint ventures	–	–	4,008	(225)	3,783
Profit before taxation					47,351

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

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment assets of the Group as at 30th June 2018 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	**5,532,708**	**711,631**	**1,235,642**	**137,163**	**171,668**	**7,788,812**
Investment in a joint venture	**-**	**-**	**219,927**	**-**	**-**	**219,927**
Tax recoverable						**10,792**
Deferred tax assets						**24,483**
Corporate assets						**22,918**
Total assets						**8,066,932**

The audited segment assets of the Group as at 31st December 2017 are as follows:

	Audited					
	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	4,691,949	748,305	1,215,122	123,947	202,994	6,982,317
Investment in a joint venture	–	–	224,037	–	–	224,037
Tax recoverable						11,351
Deferred tax assets						17,405
Corporate assets						18,741
Total assets						7,253,851

6. OTHER (LOSSES)/GAINS — NET

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Gain on disposal of a joint venture	–	354
Gain on disposal of investment properties	–	775
Fair value (losses)/gains on investment properties	(12,111)	27,532
Net foreign exchange gain	5,284	6,769
	(6,827)	35,430

7. OPERATING PROFIT

The following items have been charged to the operating profit during the interim period:

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Charging:		
Depreciation	14,008	6,557
Amortisation of leasehold land and land use rights	833	775
Impairment loss on financial assets	2,775	–
Staff costs *(Note 9)*	109,084	92,309

8. FINANCE INCOME — NET

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Finance income — interest income	**20,711**	14,431
Finance costs		
— Interest on loans and overdrafts	**(14,507)**	(9,529)
— Less: amounts capitalised as qualifying assets	**895**	—
Total finance costs	**(13,612)**	(9,529)
Finance income — net	**7,099**	4,902

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Wages, salaries and allowances	**97,338**	82,297
Retirement benefit costs	**5,920**	5,265
Other employee benefits	**5,826**	4,747
	109,084	92,309

10. TAXATION

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

	Unaudited Six months ended 30th June 2018 HK$'000	2017 HK$'000
Hong Kong profits tax		
— Current	**10,127**	7,147
— Over-provision in previous years	**(13)**	—
Overseas profits tax		
— Current	**1,245**	1,477
— Under-provision in previous years	**17**	2
Land appreciation tax	**894**	348
Deferred taxation	**(13,059)**	11,919
Taxation (credit)/charge	**(789)**	20,893

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK$19,776,000 (2017: HK$24,155,000). The basic earnings per share is based on the weighted average number of 1,418,973,012 (2017: 1,418,973,012) shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue during the period.

12. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2018 (2017: Nil).

13. CAPITAL EXPENDITURE

	Unaudited			
	Intangible assets HK$'000	**Property, plant and equipment HK$'000**	**Investment properties HK$'000**	**Leasehold land and land use rights HK$'000**
Net book value at 1st January 2018	**2,126**	**608,417**	**566,029**	**45,636**
Additions	**–**	**75,261**	**–**	**–**
Transfer from inventories	**–**	**–**	**11,225**	**–**
Fair value losses	**–**	**–**	**(12,111)**	**–**
Disposals	**–**	**(464)**	**–**	**–**
Depreciation and amortisation *(Note 7)*	**–**	**(14,008)**	**–**	**(833)**
Exchange differences	**–**	**(9,102)**	**(3,735)**	**(168)**
Net book value at 30th June 2018	**2,126**	**660,104**	**561,408**	**44,635**

	Unaudited			
	Intangible assets HK$'000	Property, plant and equipment HK$'000	Investment properties HK$'000	Leasehold land and land use rights HK$'000
Net book value at 1st January 2017	2,126	383,519	481,441	45,733
Additions	–	31,539	–	–
Transfer from inventories	–	–	26,456	–
Fair value gains	–	–	27,532	–
Disposals	–	(136)	(7,690)	–
Depreciation and amortisation *(Note 7)*	–	(6,557)	–	(775)
Exchange differences	–	20,294	10,842	641
Net book value at 30th June 2017	2,126	428,659	538,581	45,599

14. INVENTORIES

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Properties under development	**166,200**	319,703
Properties held for sale	**434,280**	312,678
Other inventories	**4,385**	1,729
	604,865	634,110

15. TRADE RECEIVABLES

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Due from stockbrokers and clearing houses	**233,199**	97,688
Due from stockbroking clients	**73,745**	118,750
Trade receivables	**26,718**	21,543
	333,662	237,981
Provision for impairment	**(15,374)**	(15,616)
	318,288	222,365

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 trade 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 2018 and 31st December 2017, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
0–30 days	**314,450**	220,179
31–60 days	**1,669**	1,833
61–90 days	**379**	123
Over 90 days	**1,790**	230
	318,288	222,365

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Due to stockbrokers and dealers	**22,659**	7,705
Due to stockbroking clients and clearing houses	**3,878,499**	3,198,960
Trade payables	**176,286**	203,570
Total trade payables	**4,077,444**	3,410,235
Advance receipts from customers *(Note 3(b))*	**–**	34,589
Contract liabilities	**26,604**	–
Accruals and other payables	**174,873**	184,990
	4,278,921	3,629,814

16. TRADE AND OTHER PAYABLES (CONTINUED)

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.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$3,519,115,000 (31st December 2017: HK$2,781,688,000).

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

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients 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 2018 and 31st December 2017, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
0–30 days	**140,262**	188,920
31–60 days	**2,515**	2,534
61–90 days	**1,172**	1,577
Over 90 days	**32,337**	10,539
	176,286	203,570

17. BORROWINGS

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Non-current		
Bank loans — secured	**183,251**	205,764
Current		
Other loan — secured	**9,710**	9,793
Bank loans — secured	**648,233**	431,730
	657,943	441,523
	841,194	647,287

As at 30th June 2018, 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$701 million (31st December 2017: HK$725 million) and fixed deposits of approximately HK$15 million (31st December 2017: HK$15 million) to secure bank borrowings.

As at 30th June 2018, bank borrowings of HK$594 million (31st December 2017: HK$409 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$1,141 million (31st December 2017: HK$1,774 million).

Bank borrowings are either repayable on demand or will mature and be repayable in July 2018 to February 2026 and bear floating interest rates. The weighted average effective interest rate at 30th June 2018 was 3.33% (31st December 2017: 3.13%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK$634 million (31st December 2017: HK$409 million) and HK$207 million (31st December 2017: HK$228 million) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2018		Audited 31st December 2017	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Ordinary shares, issued and fully paid: At 30th June 2018 and 31st December 2017	**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 2018 HK$'000	Audited 31st December 2017 HK$'000
Contracted but not provided for	**347,305**	422,947

(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 2018 HK$'000	Audited 31st December 2017 HK$'000
Not later than one year	**21,458**	20,597
Later than one year but not later than five years	**21,224**	24,818
	42,682	45,415

The 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 2018 HK$'000	Audited 31st December 2017 HK$'000
Not later than one year	**54,686**	54,192
Later than one year but not later than five years	**125,542**	146,765
	180,228	200,957

19. COMMITMENTS (CONTINUED)

(c) Other commitments

The Group undertakes underwriting obligations on initial public offering transactions. As at 30th June 2018, the underwriting obligations were approximately HK$23,879,000 (31st December 2017: HK$8,913,000).

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**9,191**	8,217

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	
	2018 HK$'000	2017 HK$'000
Fees	**810**	810
Salaries and other employee benefits	**4,736**	4,499
Retirement benefit costs	**399**	382
	5,945	5,691

(b) As at 30th June 2018, included in other payables of the Group was an amount of HK$9,628,000 (31st December 2017: Nil) due to a joint venture, which is denominated in Renminbi, unsecured, interest-free and repayable on demand.

22. FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

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

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 2017.

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

22.2 Fair value estimation

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

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

The following table presents the unaudited financial assets that are measured at fair value at 30th June 2018.

	Unaudited		
	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss — listed securities	**22,191**	**—**	**22,191**
Financial assets at fair value through other comprehensive income — unlisted securities	**—**	**157,217**	**157,217**
	22,191	**157,217**	**179,408**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair value estimation (continued)

The following table presents the audited financial assets that are measured at fair value at 31st December 2017.

	Audited		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss			
— listed securities	26,314	—	26,314
Available-for-sale financial assets			
— unlisted securities	—	184,630	184,630
	26,314	184,630	210,944

For the six months ended 30th June 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the financial assets.

For the six months ended 30th June 2018, 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 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 cash equivalents;
- trade and other payables; and
- borrowings.

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 2018, 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:

		Number of shares and underlying shares held			
Directors		**Personal interests**	**Corporate interests**	**Total**	**% of issued share capital of the Company**
Mr. LO Yuen Yat *(Note)*	Long position	97,885,636	321,506,500	419,392,136	29.56%
Mr. YEUNG Wai Kin	Long position	11,872,304	–	11,872,304	0.84%
Mr. ZHOU Xiaohe	Long position	160,000	–	160,000	0.01%

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

Note: 72,952,000 shares, 248,338,500 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 2018, 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).

SHARE OPTIONS

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

No share options were granted, exercised, lapsed or outstanding under the 2014 Scheme during the six months ended 30th June 2018.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2017.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2018, 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	Corporate interests	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note 1 & 2)*	Long position	56,008,000	12,432,000	5,568,000	63,640,000	137,648,000	9.70%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note 1 & 2)*	Long position	12,432,000	56,008,000	5,568,000	63,640,000	137,648,000	9.70%

Notes:

(1) 5,568,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.

(2) 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 2018 (2017: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to 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 Xiaohe. 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 2018 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 2018.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 24th August 2018