第一上海
FIRST SHANGHAI GROUP

First Shanghai Investments Limited

Stock Code: 227

INTERIM REPORT 2019

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director

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

Independent Non-executive Directors

Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU 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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REGISTRARS & TRANSFER OFFICE

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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 2019 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

During the first half of 2019, global financial markets remained volatile. Global economy was clouded with the Sino-US trade war and the slowing economic growth momentum. Despites rebound on news of further trade negotiation between the US and Chinese governments in early 2019, the financial markets continued to be sensitive to uncertainties in the US interest rate outlook, the potential risk of no-deal Brexit, the weak economic performance in Europe and the geopolitical tensions in specific regions. According to the recent reports from International Monetary Fund and the World Bank, the global economic growth rate is expected to be slightly reduced.

In China, the overall economic growth was slowed down in early 2019. Following intensive fiscal policies including the tax and fee reduction and various industry-specific stimulation policies, the marco-economy was underpinned with improved consumption data. On the other hand, market worries about effectiveness of subsequent fiscal and monetary policies in stimulating economic growth. The financial market rebound in the first quarter of the year amid to the prospects of capital inflow and stabilisation of Renminbi, but then trimmed with concerns about the impact to real economy lead by the continuous trade tensions. The property market remained stable with strong resilience in market price.

In Hong Kong, the financial market witnessed recovery in the first quarter of 2019 with a strong rebound on Hang Seng Index, hitting a 10-month high of above 30,000. This momentum was then hindered with the reappearance of the Sino-US trade tensions, the awareness of weak economic data reported by the Central Government and the uncertainties on external economic environment. Due to growing concerns on fluctuation in the international markets, general market activity was curtailed.

BUSINESS OVERVIEW

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

For the first half of 2019, global financial market remained volatile against concerns on the Sino-US trade tensions and potential slowing global economic growth momentum. Market was sensitive to uncertainties from Brexit and the US interest rate outlook. The Hong Kong stock market rebounded in the first half of 2019 with Hang Seng Index hit above 30,000 in April, but then fell below 27,000 in May due to market fluctuation in oversea markets. During the reporting period, performance of the Financial Services Sector was impeded with decline in market trading volume leading to decrease in overall brokerage commission income. The Group endeavors to control quality of our margin loan portfolio. Concerns about market fluctuation on specific industry sector, average margin loan has been reduced and limited to high quality securities which further hindered revenue on margin loan interest income.

For the first half of 2019, the property market in China as a whole reported stable development, with slight price rise following certain relaxation on the control policies. Upon completion of the construction work, sales of properties from Huangshan property development project has been recognised starting from 2018. Following enlarged marketing force, volume of sales of properties has been improved, resulting in remarkable increase in revenue generated from the Property and Hotel Sector. During the reporting period, benefited from the property price rise, the Group is capable to recognised valuation gain against a valuation loss reported in last year.

Upon the grand opening in November 2018, our one-stop integrated medical centre located in Central gradually extends its service scopes ranging from medical services including general and specialist consultation, imaging, day surgery, body check, IVF, central pharmacy to healthcare services including rehabilitation, wellness and medical beauty solutions. Our medical centre is still at development stage and we plan to further extend our services to dental care in the second half of 2019. Utilisation rate of each of the service centres has reported slight improvement, but yet to be boosted up. Given the fact that constant but significant rental and depreciation expense were incurred, operating loss from the Medical and Healthcare Sector was approximately the same as last year.

For the six months ended 30th June 2019, the Group reported a net profit attributable to shareholders of approximately HK$15 million, representing 25% reduction as compared to approximately HK$20 million reported from the corresponding period of 2018. The basic earnings per share attributable to the shareholders of the Company was HK1.04 cents.

PROSPECTS

Looking forward, given the challenging political and economic uncertainties, we expect Sino-US trade war, uncertainty of Brexit, concerns about the economic growth in Chinese Mainland and recent social unrest in Hong Kong will continue to affect the real economy. Global monetary policies, especially the US interest rate outlook, will dominate capital flow among financial markets. Investment sentiment and assets valuation will be hindered with market volatility.

Amid the challenging environment, we expect the Central Government's monetary policies will remain neutral while its fiscal policies will continue to focus on stimulation in domestic demand. The Sino-US trade tensions will continue to bring uncertainties to China's economic growth. Despites continue to deepen the supply-side reforms, we expect measures to accelerate the upgrading of industries and consumption structure will be implemented. The property industry is expected to remain stable as a whole with general control policies in stabilizing property price and market demand. On the financial market, we expect the Central Government will continue to strengthen its various measures to deleverage financial risk and tax and fee reduction policies so as to sustain a steady economic growth rate.

Our Financial Services Sector will be keen on maintaining a cautious and proactive approach regarding the credit control of our margin financing business. We shall also continue to enhance our online trading platform, and widen our product scope and customer base to cope with market situation. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we will continue to enhance our service and strengthen our business platform for further development.

Regarding the Medical and Healthcare Sector, we are confident on the development of private healthcare services in Hong Kong in view of the tight resource allocated to public healthcare services and the increasing health consciousness of people. We aim to collaborate with more corporate clients by offering comprehensive healthcare solutions, and expand our scope of services to facilitate the market demand and resort to innovative technologies, such as mobile booking and tele-medicine, in order to provide high quality and comprehensive services to the community with greater conveniences. 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.

We will also consistently push forward our existing investment strategy, with focus on healthcare sector, to further expand our Direct Investment business. We will also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2019, the Group reported a net profit attributable to shareholders of approximately HK$15 million, representing 25% reduction as compared to approximately HK$20 million reported from the corresponding period of 2018. This result was attributable to the reduction in income derived from Financial Services Sector, mainly from revenue on margin loan and securities brokerage businesses. On the other hand, our property development and investment businesses recorded improvement in performance, with increase in sales on properties reported from Huangshan property development project and recognition of valuation gain tracking the property price rise. This partially offset the negative impact on decrease in revenue from financial services business. The basic earnings per share attributable to the shareholders of the Company was HK1.04 cents. Revenue of the Group was approximately HK$252 million, representing a slight decrease by 4% over the same period of 2018 tracking reduction on margin loan interest income and securities brokerage income, despites that increase in revenue from our new medical centre and sales on properties had been reported. Total net assets of the Group reported slight decrease by 1% to approximately HK$2,755 million when compared with approximately HK$2,775 million as at 31st December 2018.

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 2019, the operating profit reported from Financial Services Sector reduced significantly by 49% when compared with 2018. This was mainly attributable to the drop in margin loan interest income and securities brokerage commission income.

The Hong Kong stock market was volatile in 2019. Hang Seng Index closed at 28,543 as at 30th June 2019, representing an increase of 10% as compared to the beginning of the year. In the first half of 2019, the average daily market turnover declined by 23% from HK$127 billion to HK$98 billion, attributable to unfavourable investment sentiment caused by the Sino-US trade war. During the reporting period, our brokerage business, impaired by reduction on market trading volume, reported decrease in brokerage commission income by 37%. Margin loan interest income was reduced by 35% following a slump in average margin loan size with tighter credit control policy.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2019, we have completed five financial advisory cases. In addition, five IPO cases were under processing. Income from advisory services decreased by 22% as there was no IPO completed in the first half of 2019, dampened by diminishing IPO and fund raising activities in Hong Kong stock market.

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 2019, operating profit of HK$54 million was reported from Property and Hotel Sector as compared with an operating loss of HK$2 million in the corresponding period of last year. This encouraging result was contributed by the increase in sales of properties from Huangshan development project following its construction completion in 2018.

For the six months ended 30th June 2019, operating revenue from property investment and management operations dropped by 8% as compared with the corresponding period in 2018 owing to slight reduction on rental occupancy rate. For investment properties held by the Group, valuation gain of HK$39 million was recorded as compared to valuation loss of HK$12 million in the corresponding period in 2018 due to the general rise in property prices in Chinese Mainland.

For the six months ended 30th June 2019, revenue from hotel and golf operations was approximately the same as compared with the corresponding period in 2018. Our new golf hotel in Paris commenced its operation since late June 2019 while revenue generated is minimal at its set up stage.

Medical and Healthcare

The Group explored to the Medical and Healthcare Sector by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. Revenue of the medical centre for the six months ended 30th June 2019 amounted to HK$17 million, representing an increase of 62% as compared with 2018. However, operating loss of HK$39 million was reported given the fact that the business was still at initial development stage with moderately low utilization rate while constant but significant rental and depreciation expenses were incurred.

Direct Investment

In 2019, Direct Investment Sector reported slight reduction in operation loss compared with the corresponding period in 2018 after various cost reduction measures implemented to non-profit making entities. Focusing our internal resources in the medical and healthcare business, there was no new direct investment launched in 2019.

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 2019, the Group had raised bank and other loans of approximately HK$311 million (31st December 2018: HK$269 million) and held approximately HK$298 million (31st December 2018: HK$399 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) slightly increased to 11.3% (31st December 2018: 9.7%).

During the reporting period, there was no change on the Group's overall share capital structure. As at 30th June 2019, the total number of issued ordinary shares was 1,418,973,012 shares (31st December 2018: 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.

CHARGES OF GROUP ASSETS

The Group has charged freehold land, properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK$1,052 million (31st December 2018: HK$1,052 million) and fixed deposits of approximately HK$15 million (31st December 2018: HK$38 million) against its bank loans, general banking facilities and bank guarantee. The banking facilities amounted approximately HK$231 million (31st December 2018: HK$263 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 2019, total contingent liabilities relating to these guarantees amounted to approximately HK$7 million (31st December 2018: HK$7 million).

MATERIAL ACQUISITIONS AND DISPOSAL

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

On 26th August 2019, the Group entered into an agreement with a purchaser to dispose of the Group's 50% equity interest in Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang"), a jointly controlled entity, for a cash consideration of approximately RMB200 million. The transaction is subject to shareholders' approval at an extraordinary general meeting to be held in October 2019. Based on the latest financial information available of Zhangjiang, it is currently expected that the Group will record an accounting loss on disposal of approximately HK$2 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 2019, with expansion in the golf hotel in Paris and medical centre in Hong Kong, the Group employed 738 (30th June 2018: 675) staff, of whom 439 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2019 amounted to approximately HK$112 million (30th June 2018: HK$109 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June **2019** **HK$'000**	 2018 HK$'000
Revenue	5	**252,160**	262,880
Cost of sales		**(101,807)**	(87,982)
Gross profit		**150,353**	174,898
Other gains/(losses) – net	6	**38,558**	(6,827)
Selling, general and administrative expenses		**(158,507)**	(160,517)
Net reversal of impairment/(impairment losses) on financial assets		**731**	(2,775)
Operating profit	5 and 7	**31,135**	4,779
Finance income	8	**21,984**	20,711
Finance costs	8	**(15,684)**	(13,612)
Finance income – net	8	**6,300**	7,099
Share of results of a joint venture		**3,828**	4,882
Profit before taxation		**41,263**	16,760
Taxation	10	**(22,627)**	789
Profit for the period		**18,636**	17,549
Attributable to:			
Shareholders of the Company		**14,808**	19,776
Non-controlling interests		**3,828**	(2,227)
		18,636	17,549
Earnings per share attributable to shareholders of the Company			
– Basic	11	**HK1.04 cents**	HK1.39 cents
– Diluted	11	**HK1.04 cents**	HK1.39 cents

The notes on pages 17 to 38 form an integral part of this condensed consolidated financial information.

	Unaudited Six months ended 30th June 2019 HK$'000	2018 HK$'000
Profit for the period	**18,636**	17,549
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Currency translation differences	**(7,494)**	(20,217)
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(19,353)**	(27,413)
Other comprehensive loss for the period, net of tax	**(26,847)**	(47,630)
Total comprehensive loss for the period	**(8,211)**	(30,081)
Attributable to:		
Shareholders of the Company	**(11,676)**	(27,291)
Non-controlling interests	**3,465**	(2,790)
	(8,211)	(30,081)

The notes on pages 17 to 38 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Non-current assets			
Intangible assets	13	**5,126**	5,126
Property, plant and equipment	13	**688,483**	683,182
Right-of-use assets	13	**296,061**	–
Investment properties	13	**639,982**	598,135
Leasehold land and land use rights	13	**42,168**	43,025
Investment in a joint venture		**213,332**	216,723
Deferred tax assets		**42,397**	31,868
Financial assets at fair value through other comprehensive income		**107,805**	127,158
Other non-current prepayments and deposits		**25,878**	18,907
Total non-current assets		**2,061,232**	1,724,124
Current assets			
Inventories	14	**528,136**	561,691
Loans and advances		**916,176**	745,482
Trade receivables	15	**157,825**	224,706
Other receivables, prepayments and deposits		**54,757**	59,735
Tax recoverable		**5,670**	11,132
Financial assets at fair value through profit or loss		**19**	22
Deposits with banks		**21,599**	59,345
Client trust bank balances		**2,332,130**	3,137,482
Cash and bank balances		**276,492**	339,309
Total current assets		**4,292,804**	5,138,904
Current liabilities			
Trade and other payables	16	**2,831,387**	3,698,461
Tax payable		**34,623**	29,638
Lease liabilities		**45,108**	–
Borrowings	17	**190,337**	112,958
Total current liabilities		**3,101,455**	3,841,057
Net current assets		**1,191,349**	1,297,847

	Note	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Total assets less current liabilities		**3,252,581**	3,021,971
Non-current liabilities			
Deferred tax liabilities		**90,906**	74,893
Lease liabilities		**279,575**	–
Borrowings	17	**120,501**	156,357
Other non-current liabilities		**6,410**	15,563
Total non-current liabilities		**497,392**	246,813
Net assets		**2,755,189**	2,775,158
Equity			
Share capital	18	**1,162,940**	1,162,940
Reserves		**1,514,394**	1,537,824
Capital and reserves attributable to the Company's shareholders		**2,677,334**	2,700,764
Non-controlling interests		**77,855**	74,394
Total equity		**2,755,189**	2,775,158

The notes on pages 17 to 38 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June	
	2019 **HK$'000**	2018 HK$'000
Cash flows from operating activities		
Net cash (outflow)/inflow from operating activities	**(113,030)**	50,902
Overseas taxation paid	**(3,506)**	(1,326)
Net cash (used in)/generated from operating activities	**(116,536)**	49,576
Cash flows from investing activities		
Interest received	**23,933**	20,634
Purchase of property, plant and equipment	**(22,945)**	(97,384)
Decrease/(increase) in deposit paid for property, plant and equipment	**860**	(9,083)
Proceeds from disposal of property, plant and equipment	**–**	484
Proceeds from disposal of investment properties	**1,954**	–
Dividends received from a joint venture	**6,582**	6,917
Decrease/(increase) in deposits with banks	**38,026**	(14,025)
Net cash generated from/(used in) investing activities	**48,410**	(92,457)
Cash flows from financing activities		
Interest paid	**(9,778)**	(14,384)
Proceeds from borrowings	**148,000**	634,000
Repayments of borrowings	**(111,336)**	(438,060)
Payment for lease liabilities	**(26,385)**	–
Net cash generated from financing activities	**501**	181,556
Net (decrease)/increase in cash and cash equivalents	**(67,625)**	138,675
Cash and cash equivalents at 1st January	**332,151**	246,375
Exchange differences	**(815)**	(351)
Cash and cash equivalents at 30th June *	**263,711**	384,699

* *As at 30th June 2019, cash and cash equivalents are net of bank overdrafts of HK$12,781,000.*

The notes on pages 17 to 38 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$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
Balance at 31st December 2018 as originally presented	1,162,940	38,529	12,334	66,752	20,352	1,399,857	74,394	2,775,158
Change in accounting policies (Note 3(b))	-	-	-	-	-	(11,754)	(4)	(11,758)
Restated total equity at 1st January 2019	1,162,940	38,529	12,334	66,752	20,352	1,388,103	74,390	2,763,400
Profit for the period	-	-	-	-	-	14,808	3,828	18,636
Other comprehensive loss	-	-	-	(19,353)	(7,131)	-	(363)	(26,847)
Total comprehensive loss for the period ended 30th June 2019	-	-	-	(19,353)	(7,131)	14,808	3,465	(8,211)
At 30th June 2019	1,162,940	38,529	12,334	47,399	13,221	1,402,911	77,855	2,755,189

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	–	–	–	(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

The notes on pages 17 to 38 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 2018 that is included in the condensed consolidated financial information for the six months ended 30th June 2019 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 2018 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 30th August 2019.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2019 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 2018, 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 2018, 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 as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies 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) *Changes in accounting policies*

(i) Adoption of HKFRS 16

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (continued)

(i) Adoption of HKFRS 16 (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement dates less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3. ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (continued)

(ii) Adjustment recognised on adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1st January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 3.6%.

The difference between the operating lease commitments disclosed as at 31st December 2018 and the lease liabilities recognised in the consolidated balance sheet upon the date of initial application mainly arose from the adjustments as a result of exercising extension options for certain leases, discounting the future lease payments to the present value upon adoption of HKFRS 16 and applying the practical expedient to account for those lease terms ends within 12 months of the date of initial application in the same way as short-term leases.

Lease liabilities recognised due to adoption of HKFRS 16 as at 1st January 2019 is as follows:

	HK$'000
Current lease liabilities	43,696
Non-current lease liabilities	299,347
	343,043

3. ACCOUNTING POLICIES (CONTINUED)

(b) *Changes in accounting policies (continued)*

(ii) *Adjustment recognised on adoption of HKFRS 16 (continued)*

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The net impact on retained earnings on 1st January 2019 was a decrease of HK$11,754,000.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of single discount rate to a portfolio of leases with reasonably similar characteristics

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

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 2018.

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results of the Group for the six months ended 30th June 2019 are as follows:

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

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

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
Interest revenue calculated using effective interest method	59,738	–	–	–	–	59,738
Timing of recognition:						
– At a point in time	81,623	30,618	18,599	10,373	–	141,213
– Over time	15,279	–	44,149	–	2,501	61,929
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.*

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment assets of the Group as at 30th June 2019 are as follows:

	Unaudited					
	Financial services HK$'000	Property development HK$'000	Property investment and hotel HK$'000	Medical and healthcare HK$'000	Direct investment HK$'000	HK$'000
Segment assets	3,597,921	632,064	1,307,725	422,125	114,789	6,074,624
Investment in a joint venture	-	-	213,332	-	-	213,332
Tax recoverable						5,670
Deferred tax assets						42,397
Corporate assets						18,013
Total assets						6,354,036

The audited segment assets of the Group as at 31st December 2018 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	4,364,041	684,859	1,261,404	141,161	131,956	6,583,421
Investment in a joint venture	-	-	216,723	-	-	216,723
Tax recoverable						11,132
Deferred tax assets						31,868
Corporate assets						19,884
Total assets						6,863,028

6. OTHER GAINS/(LOSSES) – NET

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Gain on disposal of investment properties	**241**	–
Fair value gains/(losses) on investment properties	**39,378**	(12,111)
Loss on disposal of property, plant and equipment	**(45)**	–
Net foreign exchange (loss)/gain	**(1,016)**	5,284
	38,558	(6,827)

7. OPERATING PROFIT

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

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Charging:		
Depreciation	**40,020**	14,008
Amortisation of leasehold land and land use rights	**790**	833
Staff costs *(Note 9)*	**111,871**	109,084

8. FINANCE INCOME – NET

	Unaudited Six months ended 30th June 2019 HK$'000	Unaudited Six months ended 30th June 2018 HK$'000
Finance income – interest income	**21,984**	20,711
Finance costs		
– Interest on loans and overdrafts	**(9,873)**	(14,507)
– Interest on lease liabilities	**(6,029)**	–
– Less: amounts capitalised as qualifying assets	**218**	895
Total finance costs	**(15,684)**	(13,612)
Finance income – net	**6,300**	7,099

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June 2019 HK$'000	Unaudited Six months ended 30th June 2018 HK$'000
Wages, salaries and allowances	**99,512**	97,338
Retirement benefit costs	**6,109**	5,920
Other employee benefits	**6,250**	5,826
	111,871	109,084

10. TAXATION

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

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Hong Kong profits tax		
– Current	**4,838**	10,127
– Over – provision in previous years	**–**	(13)
Overseas profits tax		
– Current	**5,522**	1,245
– Under – provision in previous years	**6**	17
Land appreciation tax	**3,840**	894
Deferred taxation	**8,421**	(13,059)
Taxation charge/(credit)	**22,627**	(789)

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$14,808,000 (2018: HK$19,776,000). The basic earnings per share is based on the weighted average number of 1,418,973,012 (2018: 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 2019 (2018: Nil).

13. CAPITAL EXPENDITURE

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

	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

14. INVENTORIES

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Properties under development	**182,021**	178,053
Properties held for sale	**342,451**	379,811
Other inventories	**3,664**	3,827
	528,136	561,691

15. TRADE RECEIVABLES

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Due from stockbrokers and clearing houses	**68,250**	149,463
Due from stockbroking clients	**80,960**	67,982
Trade receivables – others	**23,388**	22,074
	172,598	239,519
Loss allowance	**(14,773)**	(14,813)
	157,825	224,706

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 2019 and 31st December 2018, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
0 – 30 days	155,367	221,215
31 – 60 days	1,284	2,808
61 – 90 days	813	601
Over 90 days	361	82
	157,825	224,706

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Due to stockbrokers and dealers	5,981	88,015
Due to stockbroking clients and clearing houses	2,475,939	3,244,300
Trade payables	160,423	165,985
Total trade payables	2,642,343	3,498,300
Contract liabilities	38,498	40,857
Accruals and other payables	150,546	159,304
	2,831,387	3,698,461

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

16. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$2,332,130,000 (31st December 2018: HK$3,137,482,000).

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 2019 and 31st December 2018, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
0 – 30 days	**127,371**	136,445
31 – 60 days	**3,272**	4,147
61 – 90 days	**4,488**	2,169
Over 90 days	**25,292**	23,224
	160,423	165,985

17. BORROWINGS

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Non-current		
Bank loans – secured	**120,501**	156,357
Current		
Other loan – secured	**–**	3,562
Other loans – unsecured *(Note 21(b))*	**20,000**	2,853
Bank loans – secured	**157,556**	99,385
Bank overdrafts – secured	**12,781**	7,158
	190,337	112,958
	310,838	269,315

As at 30th June 2019, 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$715 million (31st December 2018: HK$701 million) and fixed deposits of approximately HK$15 million (31st December 2018: HK$15 million) to secure bank borrowings.

As at 30th June 2019, bank borrowings of HK$60 million (31st December 2018: Nil) 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$887 million (31st December 2018: Nil).

As at 31st December 2018, the other loan of HK$4 million was secured by certain properties under development and properties held for sale of a subsidiary that has received this loan.

Bank borrowings are either repayable on demand or will mature and be repayable in July 2019 to February 2026 and bear floating interest rates. The weighted average effective interest rate at 30th June 2019 was 4.49% (31st December 2018: 4.92%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK$141 million (31st December 2018: HK$75 million) and HK$150 million (31st December 2018: HK$188 million) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2019		Audited 31st December 2018	
	Number of shares'000	**HK$'000**	Number of shares'000	HK$'000
Ordinary shares, issued and fully paid:				
At 30th June 2019 and 31st December 2018	**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 2019 HK$'000	Audited 31st December 2018 HK$'000
Contracted but not provided for	**334,256**	348,068

(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 2019 HK$'000	Audited 31st December 2018 HK$'000
Not later than one year	**23,251**	21,926
Later than one year but not later than five years	**21,516**	25,067
More than five years	**1,411**	1,529
	46,178	48,522

19. COMMITMENTS (CONTINUED)

(c) *Other commitments*

The Group undertakes underwriting obligations on initial public offering transactions. As at 30th June 2019, the Group had no underwriting obligations (31st December 2018: $107,797,000).

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**7,070**	7,098

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	
	2019 HK$'000	2018 HK$'000
Fees	**810**	810
Salaries and other employee benefits	**4,926**	4,736
Retirement benefit costs	**415**	399
	6,151	5,945

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) As at 30th June 2019, loans from a related party of HK$20,000,000 (31st December 2018: Nil) were interest bearing at 5% per annum, denominated in Hong Kong dollars and repayable within 1 year.

As at 31st December 2018, loan from a related party of HK$2,853,000 and amount due to a related party of HK$5,250,000 were interest bearing at 7% per annum and interest-free respectively. They are denominated in Renminbi and repayable on demand.

22. FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

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

This unaudited condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2018.

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

22.2 Fair value estimation

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

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

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair value estimation (continued)

The following table presents the unaudited financial assets that are measured at fair value at 30th June 2019.

	Unaudited		
	Level 1 HK$'000	**Level 2 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss			
– listed securities	**19**	**–**	**19**
Financial assets at fair value through other comprehensive income			
– unlisted securities	**–**	**107,805**	**107,805**
	19	**107,805**	**107,824**

The following table presents the audited financial assets that are measured at fair value at 31st December 2018.

	Audited		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at fair value9 through profit or loss			
– listed securities	22	–	22
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	127,158	127,158
	22	127,158	127,180

For the six months ended 30th June 2019, 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 2019, there were no transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.3 Group's valuation processes

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

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

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

23. EVENTS AFTER THE BALANCE SHEET DATE

On 26th August 2019, the Group entered into an agreement with a purchaser to dispose of the Group's 50% equity interest in Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang"), a jointly controlled entity, for a cash consideration of approximately RMB200 million. The transaction is subject to shareholders' approval at an extraordinary general meeting to be held in October 2019. Based on the latest financial information available of Zhangjiang, it is currently expected that the Group will record an accounting loss on disposal of approximately HK$2 million.

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 2019, 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 2019, 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 2019.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2019, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note)*	Long position	61,576,000	12,432,000	63,640,000	137,648,000	9.70%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note)*	Long position	12,432,000	61,576,000	63,640,000	137,648,000	9.70%

Note: 63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2019 (2018: 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 2019 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 2019.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 30th August 2019