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FIRST SHANGHAI GROUP

(Stock Code : 227)

**First Shanghai Investments Limited**



Interim Report **2010**

# First Shanghai Investments Limited

## Corporate Information

### Board of Directors

Chairman  
Mr. LO Yuen Yat

Executive Directors  
Mr. XIN Shulin  
Mr. YEUNG Wai Kin

Non-executive Director  
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors  
Prof. WOO Chia-Wei  
Mr. LIU Ji  
Mr. YU Qihao  
Mr. ZHOU Xiaohe

### Company Secretary

Mr. YEUNG Wai Kin

### Registered Office

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

### Auditor

PricewaterhouseCoopers  
Certified Public Accountants

### Solicitors

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

### Principal Bankers

CITIC Bank International Limited  
Standard Chartered Bank (Hong Kong)  
Limited

### Registrars & Transfer Office

Computershare Hong Kong Investor  
Services Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Stock Code

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



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# MANAGEMENT COMMENTARY

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (together, the “Group”) for the six months ended 30th June 2010 together with the comparative figures for the corresponding period last year.

## Business Review

Following the rallies in 2009, the global economy, especially in Asia-Pacific region, experienced an upturn during the first half of 2010. However, the stock markets around the world were volatile, clouded by heightening worries over the European sovereign debt crisis. The European countries are expected to continue with their tight fiscal measures to reduce their fiscal deficits. This may affect the growth prospects of these countries, and hence the stability of the global stock markets.

Emerging economies led the global recovery in the first half year. The economic environment in the Chinese market still looks good, marked with an 11% growth in GDP. The economy of Hong Kong was also broadly benefited from the improvement in property and consumption market. Despite, confronted with the threat of an overheating economy and the graduate structural change in the economy, the Chinese government adopted active fiscal policies, moderately loose monetary policy, and consistent and specific austerity measures targeted to cool down the speculative activities in the property market.

In view of the market volatility, the Group reported consolidated net loss attributable to shareholders of the Company of approximately HK\$11 million for the six months ended 30th June 2010, comparing with a net profit of approximately HK\$53 million for the corresponding period in 2009. This unsatisfactory result was mainly due to the share of loss of approximately HK\$14 million from its investment in a listed associate, China Assets (Holdings) Limited (“China Assets”). China Assets recorded significant loss for the first half of the year after making full provision of a loan investment. The Group’s performance was further deterred with a loss of approximately HK\$13 million incurred from investment in a securities investment fund in times of fluctuation in the financial markets. However, the corporate finance and stockbroking business reported improvement when compared with the corresponding period of last year with operating profit increased by 157% to approximately HK\$44 million. The Group’s consolidated revenue dropped by 19% to approximately HK\$141 million as a result of the recognition of net loss from the investment in financial instruments.

The total net assets of the Group decreased by 3% from approximately HK\$2,755 million as at 31st December 2009 to approximately HK\$2,678 million as at 30th June 2010. This was primarily attributable to the decrease in investment value of an associated company and indirect investment in the listed share of Shenyin Wanguo (H.K.) Limited.

The Group adheres to its strategic plan and devotes its efforts and resources to accelerating growth in its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

## MANAGEMENT COMMENTARY (continued)

### Business Review *(continued)*

#### Financial Services

Tracking the global financial market, Hong Kong stock market was volatile in the first half of the year. With preliminary signs of stabilisation in economy and strong capital inflow, the Hang Seng Index surged up to 22,416 at the beginning of the year. However, with the threatening of the European sovereign debt crisis, the Hang Seng Index dropped to this year's trough at 18,985 in May 2010, representing a 15% downturn. Trading activities in the local stock market was moderate. The average daily market turnover was approximately HK\$64 billion, about the same level as in the second half of 2009, but was 9% higher from the first half of 2009. Trading volume became sluggish in June 2010 since the spread of European sovereign debt crisis. Secondary fund-raising activities shrank in the first half of 2010. Total equity fund-raised amounted to approximately HK\$43 billion, representing a decrease of 28% from the corresponding period in 2009. Total market capitalisation reduced slightly by 4% to approximately HK\$17 trillion from 31st December 2009.

Our securities brokerage business was moderately stable. The Group reported growth in the financial services business, with an operating profit of approximately HK\$44 million, hoisted by 157% when compared with the first half of 2009. Revenue raised by 28%, mainly attributable to securities brokerage and underwriting business. Total margin loan size expanded by 17% from end of 2009, mainly due to a general increase in investors' confidence in the capital market and low interest rate.

Leveraging on its expertise on mergers and acquisitions, our corporate finance division continues to be an active player in the financial advisory market during the first half of 2010. During this period, we completed 17 corporate finance advisory assignments, including Takeovers Code related transactions, and acted as compliance advisers to 3 listed companies on the Stock Exchange. Our corporate finance team also became the winner of the ALB China Law Awards organised by Asian Legal Business Magazine in 2010.

To strengthen our market share in the financial services industries, the Group will continue to expand our product range and to further enhance our online securities trading platform. We will also continue to focus on financial advisory services for mergers and acquisitions and other corporate transactions under the current challenging market conditions. It is also our strategy to continue seeking for IPO sponsorship opportunities in addition to the financial advisory services.

#### Property and Hotel

During the first half of 2010, the Chinese property market continuous to report upward trend on its selling prices. Fear of the overheating economy and irritating inflation, the central government, as expected, has implemented more and stricter tightening measures to hinder the growth of the entire industry, especially at first-tier cities. The trend in the property market was eminently affected in the last two months with reduction on both transaction volumes and selling prices. Though we expect the impact of the tightening measures will not be witnessed in short run, the future macro-economy will grow at a more preferable direction. The Group is optimistic about the medium and long term development of the industry with a firm belief that urbanisation and industrialisation will generate massive genuine housing demand.

## MANAGEMENT COMMENTARY (continued)

### Business Review (continued)

#### Property and Hotel (continued)

The Group's strategy is to continue developing properties in fast growing second-tier cities in Chinese Mainland, especially in Yangtze River Delta region. We will specialise in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts. The Group is currently participating in six projects with a total gross floor area of approximately 414,000 square meters. The Management remains firmly committed in the property development market in Chinese Mainland and will continue to seek for enhancement in its market penetration.

In 2010, the Group has recognised GFA and revenue amounted to approximately 5,000 square meters and HK\$34 million respectively from the property development business, mainly attributable to a project located in Kunshan, Jiangsu. Capital expenditures for property projects incurred for the period were approximately HK\$171 million.

#### Direct Investment

Results of the Group's Direct Investment were still affected by the stresses experienced from the unstable economic environment. The Group has continued to exercise a high level of caution in managing our equity investment portfolio.

China Assets continues to be the major investment of our Direct Investment Sector. During the period, China Assets has reported net gain from its securities investments. However, the overall result was unsatisfactory, after making full investment provision of approximately HK\$51 million for UniMedia Ltd., a company engaged in provision of outdoor advertising services, encountered adverse deviation in its market niche due to substantial change in the industry model. For the first half of 2010, China Assets recorded net loss and increase in investment reserve attributable to the Group of approximately HK\$14 million and HK\$4 million respectively.

### Prospects

The market condition in 2010 was challenging. Global demand will remain constrained as long as we face the likelihood of anaemic growth in various Western countries. Nevertheless, with the backing of Chinese Mainland, the Group is conservatively optimistic about the prospects of financial and property markets. The Group will adhere its business strategy, while closely follows the change in the trend of the macro economy and the regulatory environment. We believe we could address such changes effectively at a timely manner.

Making use of our brand recognition and business network, the Group will continue its pace in expanding its presence in both financial services and property development industries in Hong Kong and Chinese Mainland. We will keep on working to meet with potential market demand by enhancing our products and services quality, capitalising our professional team and refining our operational efficiency so as to strengthen our market penetration and capture future business opportunities. Meanwhile, we will continue to pursue, on an active and prudent approach, strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

## MANAGEMENT COMMENTARY (continued)

### Management Discussion And Analysis

#### Financial results

For the six months ended 30th June 2010, the Group recorded a net loss and basic losses per share attributable to shareholders of the Company amounting to approximately HK\$11 million and HK\$0.76 cents respectively, compared with a net profit and basic earnings per share attributable to shareholders of the Company of approximately HK\$53 million and HK\$3.79 cents respectively in the corresponding period of 2009. Revenue of the Group was approximately HK\$141 million, representing a decrease by 19% over the same period of 2009.

#### Material acquisitions, disposals and significant investments

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

#### Liquidity and financial resources

The Group relies principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various property projects and our financial services business. As at 30th June 2010, the Group had raised bank loans of approximately HK\$110 million and held approximately HK\$655 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 4%. Investment in "financial assets at fair value through profit or loss" as at 30th June 2010 amounted to approximately HK\$268 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi exchange rate will remain in a stable pattern for the remaining period of 2010. The Group has no significant exposure to other foreign exchange fluctuations.

#### Pledge of assets

The Group has pledged properties, leasehold land and land use rights and properties under development with an aggregate net carrying value of approximately HK\$300 million (31st December 2009: HK\$224 million) and fixed deposits of approximately HK\$15 million (31st December 2009: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounting approximately HK\$110 million (31st December 2009: HK\$11 million) had been utilised.

#### Human resources

As at 30th June 2010, the Group employed 428 (30th June 2009: 484) staff, of which 302 are located in Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the six months ended 30th June 2010 amounted to approximately HK\$45 million.

#### Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in Chinese Mainland. 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 2010, total contingent liabilities relating to these guarantees amounted to approximately HK\$29 million (31st December 2009: HK\$166 million).

# CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2010 HK\$'000	2009 (Restated) HK\$'000
Revenue	4	140,984	173,602
Cost of sales		(78,000)	(66,102)
Gross profit		62,984	107,500
Other gains/(losses) — net	5	5,654	(1,177)
Selling, general and administrative expenses		(64,054)	(75,551)
Operating profit	4 and 6	4,584	30,772
Finance income		3,464	7,522
Finance costs		(145)	(105)
Finance income — net		3,319	7,417
Share of profits less losses of			
— Associated companies		(15,854)	9,094
— Jointly controlled entities		6,265	6,991
(Loss)/profit before taxation		(1,686)	54,274
Taxation	8	(10,495)	(4,066)
(Loss)/profit for the period		(12,181)	50,208
<b>Attributable to:</b>			
Shareholders of the Company		(10,673)	52,888
Non-controlling interests		(1,508)	(2,680)
		(12,181)	50,208
<b>(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company during the period</b>			
— basic	9	HK\$(0.76) cents	HK\$3.79 cents
— diluted	9	HK\$(0.76) cents	HK\$3.77 cents

The notes on pages 12 to 26 form an integral part of this condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	(Restated) HK\$'000
(Loss)/profit for the period	<b>(12,181)</b>	50,208
Other comprehensive (loss)/income		
— Fair value (loss)/gain on available-for-sale financial assets	<b>(45,934)</b>	66,547
— Exchange reserve realised for disposal of a subsidiary	<b>(4,588)</b>	1,177
— Currency translation differences	<b>7,218</b>	4,742
— Share of post-acquisition reserves of an associated company	<b>3,881</b>	49,704
Other comprehensive (loss)/income for the period	<b>(39,423)</b>	122,170
Total comprehensive (loss)/income for the period	<b>(51,604)</b>	172,378
<b>Attributable to:</b>		
Shareholders of the Company	<b>(50,597)</b>	174,111
Non-controlling interests	<b>(1,007)</b>	(1,733)
	<b>(51,604)</b>	172,378

The notes on pages 12 to 26 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 (Restated) HK\$'000
<b>Non-current assets</b>			
Intangible assets	11	2,126	4,573
Property, plant and equipment	11	329,666	239,577
Investment properties	11	73,521	73,378
Leasehold land and land use rights	11	99,585	100,796
Properties under development		138,775	135,179
Investments in associated companies		344,484	370,845
Investments in jointly controlled entities		158,787	151,118
Deferred tax assets		3,629	3,415
Available-for-sale financial assets		147,592	193,526
Loans and advances		21,286	11,497
		<b>1,319,451</b>	1,283,904
<b>Current assets</b>			
Properties under development		216,750	143,974
Properties held for sale		44,411	66,791
Inventories		837	718
Loans and advances		350,244	311,784
Trade receivables	12	106,668	318,576
Other receivables, prepayments and deposits		33,087	55,162
Tax recoverable		1,538	—
Financial assets at fair value through profit or loss		268,153	280,291
Deposits with banks			
— secured		15,000	15,000
— unsecured		76,027	140,563
Cash and cash equivalents		564,049	672,278
		<b>1,676,764</b>	2,005,137
Assets classified as held for sale	16	13,755	—
		<b>1,690,519</b>	2,005,137
<b>Current liabilities</b>			
Trade and other payables	13	173,223	477,292
Tax payable		37,023	34,681
Borrowings	14	3,439	3,407
		<b>213,685</b>	515,380
<b>Net current assets</b>			
		<b>1,476,834</b>	1,489,757
<b>Total assets less current liabilities</b>			
		<b>2,796,285</b>	2,773,661
<b>Non-current liabilities</b>			
Deferred tax liabilities		8,278	7,703
Borrowings	14	110,043	11,357
		<b>118,321</b>	19,060
<b>Net assets</b>			
		<b>2,677,964</b>	2,754,601
<b>Equity</b>			
Share capital	15	279,783	279,783
Reserves		2,313,861	2,383,853
Amounts recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale		2,608	—
Capital and reserves attributable to the Company's shareholders		2,596,252	2,663,636
Non-controlling interests		81,712	90,965
<b>Total equity</b>		<b>2,677,964</b>	2,754,601

The notes on pages 12 to 26 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(68,007)</b>	(373,886)
Net cash used in investing activities	<b>(122,511)</b>	(100,124)
Net cash generated from financing activities	<b>81,754</b>	316,861
<b>Net decrease in cash and cash equivalents</b>	<b>(108,764)</b>	(157,149)
Cash and cash equivalents at 1st January	<b>672,278</b>	935,710
Exchange gain on cash and cash equivalents	<b>535</b>	5,636
<b>Cash and cash equivalents at 30th June</b>	<b>564,049</b>	784,197
<b>Analysis of balances of cash and cash equivalents</b>		
Cash at bank and in hand	<b>250,571</b>	272,585
Short-term bank deposits — unsecured	<b>313,478</b>	511,612
Cash and cash equivalents	<b>564,049</b>	784,197

The notes on pages 12 to 26 form an integral part of this condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited											
	Attributable to shareholders of the Company									Assets classified as held for sale	Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1st January 2010, as previously reported</b>	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	923,212	—	90,965	2,748,596
Effect of change in accounting policy	—	—	—	—	—	—	—	—	6,005	—	—	6,005
<b>Balance at 1st January 2010, as restated</b>	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	—	90,965	2,754,601
Loss for the period	—	—	—	—	—	—	—	—	(10,673)	—	(1,508)	(12,181)
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(45,934)	—	—	—	—	(45,934)
Exchange reserve realised for disposal of a subsidiary	—	—	—	—	—	—	—	(4,588)	—	—	—	(4,588)
Currency translation differences	—	—	—	—	—	—	—	6,717	—	—	501	7,218
Share of post-acquisition reserves of an associated company	—	—	—	3,881	—	—	—	—	—	—	—	3,881
<b>Total comprehensive loss for the period ended 30th June 2010</b>	—	—	—	3,881	—	—	(45,934)	2,129	(10,673)	—	(1,007)	(51,604)
Disposals of subsidiaries	—	—	—	(856)	—	—	—	—	858	—	(8,246)	(8,246)
Transfer to assets classified as held for sale	—	—	—	—	—	—	—	(2,608)	—	2,608	—	—
Transfer from retained earnings	—	—	—	129	—	—	—	—	(129)	—	—	—
Transfer of reserve upon lapse of share options	—	—	(1,091)	—	—	—	—	—	1,091	—	—	—
2009 final dividend paid	—	—	—	—	—	—	—	—	(16,787)	—	—	(16,787)
	—	—	(1,091)	(729)	—	—	—	(2,608)	(14,967)	2,608	(8,246)	(25,033)
<b>Balance at 30th June 2010</b>	279,783	849,536	42,682	276,794	14,006	12,334	146,621	68,311	903,577	2,608	81,712	2,677,964

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Unaudited										
	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000		
<b>Balance at 1st January 2009, as previously reported</b>	279,277	847,626	44,482	181,119	14,006	12,334	133,718	67,736	739,113	74,325	2,393,736
Effect of change in accounting policy	—	—	—	—	—	—	—	—	4,424	—	4,424
<b>Balance at 1st January 2009, as restated</b>	279,277	847,626	44,482	181,119	14,006	12,334	133,718	67,736	743,537	74,325	2,398,160
Profit for the period	—	—	—	—	—	—	—	—	52,888	(2,680)	50,208
Fair value gain on available-for-sale financial assets	—	—	—	—	—	—	66,547	—	—	—	66,547
Exchange reserve realised for disposal of a subsidiary	—	—	—	—	—	—	—	1,177	—	—	1,177
Currency translation differences	—	—	—	—	—	—	—	3,795	—	947	4,742
Share of post-acquisition reserves of an associated company	—	—	—	49,704	—	—	—	—	—	—	49,704
<b>Total comprehensive income for the period ended 30th June 2009</b>	—	—	—	49,704	—	—	66,547	4,972	52,888	(1,733)	172,378
Issue of new shares on exercise of share options	400	1,515	(561)	—	—	—	—	—	—	—	1,354
Capital contribution to a subsidiary by its minority shareholders	—	—	—	—	—	—	—	—	—	18,596	18,596
	400	1,515	(561)	—	—	—	—	—	—	18,596	19,950
<b>Balance at 30th June 2009</b>	279,677	849,141	43,921	230,823	14,006	12,334	200,265	72,708	796,425	91,188	2,590,488

The notes on pages 12 to 26 form an integral part of this condensed consolidated financial information.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. General information

First Shanghai Investments Limited (the "Company") and its subsidiaries, associated companies and jointly controlled entities (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

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

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

This unaudited condensed consolidated financial information was approved by the Board for issue on 27th August 2010.

## 2. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2009, 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 2009, as described in those annual financial statements.

(a) Change in accounting policy on leasehold land and land use rights

During the six months ended 30th June 2010, the Group changed its accounting policy for leasehold land and land use rights which is held for development for sale. Leasehold land and land use rights which are held for development for sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land and land use rights under HKAS 17 "Leases". Previously, leasehold land and land use rights that are held for development for sale were classified as operating leases and amortised on a straight line basis over the remaining lease terms in accordance with HKAS 17.

Amortisation of leasehold land and land use rights during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in consolidated income statement.

Subsequent to the change in accounting policy, leasehold land and land use right which is held for development for sale are classified as "Properties under development" and "Properties held for sale" in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of leasehold land and land use rights as "Properties under development" and "Properties held for sale" results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management's intent regarding the use of the leasehold land and land use rights and results in a presentation consistent with industry practice.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 3. Accounting policies (continued)

- (a) Change in accounting policy on leasehold land and land use rights (continued)

The change in accounting policy has been accounted for retrospectively and the unaudited condensed consolidated financial information has been restated by reversing the amortisation charged in prior years.

The effect on the unaudited condensed consolidated financial information is as follows:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
<b>Condensed consolidated balance sheet</b>		
Increase in properties under development — current	73,440	71,110
Increase in properties under development — non-current	134,000	135,179
Increase in properties held for sale	8,612	13,365
Decrease in leasehold land and land use rights — current	(81,926)	(86,886)
Decrease in leasehold land and land use rights — non-current	(126,297)	(126,763)
Increase in retained earnings	7,829	6,005

	Unaudited Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
<b>Condensed consolidated income statement</b>		
Decrease in selling, general and administrative expenses	(1,824)	(1,573)
Decrease/increase in basic losses/earnings per share (cents per share)	HK\$0.13	HK\$0.12
Decrease/increase in diluted losses/earnings per share (cents per share)	HK\$0.13	HK\$0.11

The adoption of this change also resulted in an increase in opening retained earnings at 1st January 2009 by HK\$4,424,000.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 3. Accounting policies (continued)

(b) Amended Standard adopted by the Group

The following amendment and revisions to existing Standards are mandatory for the first time for financial year beginning 1st January 2010:

- HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the remaining lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provision of this amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting treatment for land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the remaining lease term.

The effect of the adoption of this amendment as follows:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
<b>Condensed consolidated balance sheet</b>		
Decrease in leasehold land and land use rights	(36,266)	(36,287)
Increase in property, plant and equipment	36,266	36,287

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 3. Accounting policies (continued)

(b) Amended Standard adopted by the Group (continued)

The following accounting policy is to be included under "Property, plant and equipment":

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the remaining lease terms.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements". The Group has adopted this Standard on 1st January 2010 that the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain and loss is recognised in consolidated income statement; and
- HKFRS 3 (Revised), "Business Combinations". The Group has adopted this Standard on 1st January 2010 that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

(c) The following amendments, revision and interpretation to existing Standards are mandatory for the first time for financial year beginning 1st January 2010 but are not relevant to the Group's operations:

- |  |  |
|--|--|
| • HKAS 1 (Amendment)   | Presentation of Financial Statements;  |
| • HKAS 7 (Amendment)   | Statement of Cash Flows;   |
| • HKAS 38 (Amendment)  | Intangible Assets;   |
| • HKAS 39 (Amendment)  | Financial Instruments: Recognition and Measurement — Eligible Hedged Items;  |
| • HKFRS 1 (Revised)  | First-time Adoption of Hong Kong Financial Reporting Standards;  |
| • HKFRS 1 (Amendment)  | First-time Adoption of Hong Kong Financial Reporting Standards —<br>Additional Exemptions for First-time Adopters; |
| • HKFRS 2 (Amendment)  | Group Cash-settled Share-based Payment Transaction;  |
| • HKFRS 5 (Amendment)  | Non-current Assets Held for Sale and Discontinued Operations;  |
| • HK(IFRIC) – Int 17   | Distributions of Non-cash Assets to Owners; and  |
| • First and second improvements to HKFRSs published by the HKICPA. |  |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 3. Accounting policies (continued)

- (d) The following Standard, amendments, revision and interpretations to existing Standards have been issued but are not effective for financial year beginning 1st January 2010 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
• HKAS 24 (Revised)	Related Party Disclosures;	1st January 2011
• HKAS 32 (Amendment)	Classification of Rights Issues;	1st February 2010
• HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters;	1st July 2010
• HKFRS 9	Financial Instruments;	1st January 2013
• HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement; and	1st January 2011
• HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

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

In addition, the HKICPA has published third improvements to HKFRSs. These amendments are not expected to have a significant financial impact on the interim results and financial position of the Group.

### 4. Segment information

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

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

- Securities investment
- Corporate finance and stockbroking
- Property development
- Property investment and hotel
- Direct investment

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

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

## 4. Segment information (continued)

The unaudited segment results of the Group for the six months ended 30th June 2010 are as follows:

	Unaudited					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Revenue	(17,138)	118,121	33,642	2,778	3,581	140,984
Segment results	(19,376)	44,164	6,898	(6,136)	(8,738)	16,812
Unallocated net operating expenses						(12,228)
Operating profit						4,584
Finance income — net						3,319
Share of profits less losses of						
— Associated companies	—	—	—	—	(15,854)	(15,854)
— Jointly controlled entities	—	—	—	3,376	2,889	6,265
Loss before taxation						(1,686)
Taxation						(10,495)
Loss for the period						(12,181)

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

The unaudited segment results of the Group for the six months ended 30th June 2009 are as follows:

	Unaudited (Restated)					
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	Group HK\$'000
Revenue	48,162	92,607	—	2,119	30,714	173,602
Segment results	48,056	17,185	(5,091)	(1,773)	(10,514)	47,863
Unallocated net operating expenses						(17,091)
Operating profit						30,772
Finance income — net						7,417
Share of profits less losses of						
— Associated companies	—	—	—	—	9,094	9,094
— Jointly controlled entities	—	—	—	4,648	2,343	6,991
Profit before taxation						54,274
Taxation						(4,066)
Profit for the period						50,208

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 4. Segment information (continued)

The unaudited segment assets of the Group as at 30th June 2010 are as follows:

	Unaudited					
	Securities investment	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	289,917	716,077	553,955	524,904	289,312	2,374,165
Investments in associated companies	—	—	—	—	344,484	344,484
Investments in jointly controlled entities	—	—	—	127,147	31,640	158,787
Assets classified as held for sale						13,755
Tax recoverable						1,538
Deferred tax assets						3,629
Corporate assets						113,612
Total assets						3,009,970

The audited segment assets of the Group as at 31st December 2009 are as follows:

	Audited (Restated)					
	Securities investment	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	293,817	905,345	554,929	444,833	359,126	2,558,050
Investments in associated companies	—	—	—	—	370,845	370,845
Investments in jointly controlled entities	—	—	—	122,632	28,486	151,118
Deferred tax assets						3,415
Corporate assets						205,613
Total assets						3,289,041

### 5. Other gains/(losses) — net

	Unaudited	
	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Gain/(loss) on disposal of interests in subsidiaries	5,654	(1,177)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 6. Operating profit

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

	Unaudited Six months ended 30th June	
	2010 HK\$'000	2009 (Restated) HK\$'000
<b>Charging:</b>		
Depreciation	3,668	4,339
Amortisation of leasehold land and land use rights	1,692	1,689
Staff costs (Note 7)	45,231	50,187

### 7. Staff costs

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Wages, salaries and allowances	40,790	45,645
Retirement benefit costs	2,599	2,872
Other employee benefits	1,842	1,670
	45,231	50,187

### 8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Hong Kong profits tax		
— Current	6,511	3,125
— Over-provision in previous years	(3)	—
Overseas profits tax		
— Current	2,864	674
— Under-provision in previous years	762	—
Deferred taxation	361	267
Taxation charge	10,495	4,066

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 9. (Losses)/earnings per share

The calculation of basic and diluted (losses)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$10,673,000 (2009 restated: Group's profit attributable to shareholders of approximately HK\$52,888,000). The basic (losses)/earnings per share is based on the weighted average number of 1,398,913,012 (2009: 1,396,885,775) shares in issue during the period.

The Company has share options outstanding for the six months ended 30th June 2009 which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 5,318,542 dilutive potential ordinary shares.

Diluted losses per share during the period is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

### 10. Interim dividend

The Board does not recommend the payment of an interim dividend (2009: HK\$Nil) for the six months ended 30th June 2010.

### 11. Capital expenditure

	Unaudited			
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2010, as previously reported	4,573	203,290	73,378	350,732
Effect of change in accounting policy	—	—	—	(213,649)
Adjustment for adoption of amendment to HKAS 17	—	36,287	—	(36,287)
Net book value at 1st January 2010, as restated	4,573	239,577	73,378	100,796
Acquisition of a subsidiary	378	57	—	—
Additions	—	97,617	—	—
Disposals	—	(5,102)	—	—
Disposal of a subsidiary	(2,447)	(534)	—	—
Depreciation and amortisation (Note 6)	—	(3,668)	—	(1,692)
Impairment	(378)	—	—	—
Exchange differences	—	1,719	143	481
Net book value at 30th June 2010	2,126	329,666	73,521	99,585

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

## 11. Capital expenditure (continued)

	Unaudited (Restated)			
	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 2009, as previously reported	3,393	76,567	47,897	389,711
Effect of change in accounting policy	—	—	—	(249,232)
Adjustment for adoption of amendment to HKAS 17	—	36,327	—	(36,327)
Net book value at 1st January 2009, as restated	3,393	112,894	47,897	104,152
Additions	—	58,287	—	—
Disposals	—	(477)	—	—
Depreciation and amortisation (Note 6)	—	(4,339)	—	(1,689)
Exchange differences	—	26	—	26
Net book value at 30th June 2009	3,393	166,391	47,897	102,489

## 12. Trade receivables

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	51,261	54,466
Due from stockbroking clients	40,721	198,909
Trade receivables	30,710	80,395
Provision for impairment	122,692 (16,024)	333,770 (15,194)
	106,668	318,576

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 12. Trade receivables (continued)

At 30th June 2010 and 31st December 2009, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
0 – 30 days	105,703	312,254
31 – 60 days	352	2,286
61 – 90 days	180	2,489
Over 90 days	433	1,547
	<b>106,668</b>	318,576

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

The settlement terms of trade receivable attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivable attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

### 13. Trade and other payables

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Due to stockbroking clients	87,741	287,597
Trade payables	27,808	66,756
Total trade payables	<b>115,549</b>	354,353
Advance receipts from customers	3,944	20,140
Accruals and other payables	53,730	102,799
	<b>173,223</b>	477,292

At 30th June 2010 and 31st December 2009, the ageing analysis of total trade payables is as follows:

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
0 – 30 days	99,300	348,649
31 – 60 days	955	3,713
61 – 90 days	786	370
Over 90 days	14,508	1,621
	<b>115,549</b>	354,353

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

## 14. Borrowings

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
<b>Non-current</b>		
Bank loans — secured	110,043	11,357
<b>Current</b>		
Other loans — unsecured	3,439	3,407
	<b>113,482</b>	14,764

As at 30th June 2010, the Group pledged properties, leasehold land and land use rights and properties under development with an aggregate net carrying value of approximately HK\$300 million (31st December 2009: HK\$224 million) and fixed deposits of approximately HK\$15 million (31st December 2009: HK\$15 million).

Bank borrowings will mature and be repayable in November 2011 to October 2017. The weighted average effective interest rate at 30th June 2010 was 5.64% (31st December 2009: 5.57%) per annum. The carrying amount of borrowings approximates its fair value and is denominated in Renminbi.

## 15. Share capital

	Unaudited 30th June 2010		Audited 31st December 2009	
	Number of shares'000	HK\$'000	Number of shares'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.2 each	2,000,000	400,000	2,000,000	400,000
Issued and fully paid:				
At 1st January	1,398,913	279,783	1,396,383	279,277
Exercise of share options	—	—	2,530	506
	<b>1,398,913</b>	<b>279,783</b>	1,398,913	279,783

No share options were exercised under the Employee Share Option Scheme adopted by the Company on 24th May 2002 (the "Scheme") during the six months ended 30th June 2010.

During the year ended 31st December 2009, 2,530,000 new shares of HK\$0.2 each were issued upon exercise of options under the Scheme at an exercise price of HK\$0.68 per share. The related weighted average share price at the time of exercise was HK\$1.088 per share. These shares rank pari passu with the existing shares of the Company.

## 16. Assets classified as held for sale

The assets classified as held for sale were related to two associated companies to be disposed of pursuant to a conditional agreement. The expected completion date is on or before 30th September 2010.

The assets classified as held for sale were re-measured at the lower of carrying amount and fair value less cost to sell at the date of held-for-sale classification and were written down by HK\$2,180,000 to HK\$13,755,000.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 17. Business combinations

On 20th April 2010, the Group acquired 100% of the registered capital of Kunshan Shi Jingying Hotel Management Company Limited, a hotel management company in Chinese Mainland, for a cash consideration of HK\$1,138,000. The acquired business contributed revenue of HK\$497,000 and net gain of HK\$206,000 to the Group for the period from the date of acquisition to 30th June 2010. If the acquisition had occurred on 1st January 2010, consolidated revenue and consolidated loss for the six months ended 30th June 2010 would have been HK\$141,536,000 and HK\$12,415,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
— Cash paid	1,138
Fair value of net assets acquired	(760)
Goodwill	378

The assets and liabilities at 20th April 2010 arising from the acquisition are as follows:

	Acquiree's carrying amount and fair value HK\$'000
Property, plant and equipment	57
Cash and cash equivalents	554
Other receivables, prepayments and deposits	919
Inventories	164
Trade and other payables	(934)
Fair value of net assets acquired	760
	HK\$'000
Cash consideration	(1,138)
Cash and cash equivalents in subsidiary acquired	554
Total net cash outflow on acquisition	(584)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 18. Commitments

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

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Contracted but not provided for	256,100	207,655
Authorised but not contracted	936,739	1,109,590

- (b) Commitments under operating leases

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

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Not later than one year	2,719	3,187
Later than one year but not later than five years	5,420	7,354
More than five years	28	223
	<b>8,167</b>	10,764

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

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Not later than one year	6,815	7,297
Later than one year but not later than five years	3,470	3,939
	<b>10,285</b>	11,236

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

### 19. Financial guarantee

	Unaudited 30th June 2010 HK\$'000	Audited 31st December 2009 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties ( <i>Note</i> )	29,034	165,762

*Note:* The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

### 20. Related party transactions

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

	Unaudited Six months ended 30th June	
	2010 HK\$'000	2009 HK\$'000
Fees	750	750
Salaries and other employee benefits	3,731	3,523
Retirement benefit costs	317	299
	<b>4,798</b>	4,572

## DISCLOSURE OF INTERESTS

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

At 30th June 2010, the interests of each directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) *Interests in respect of the Company:*

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat ( <i>Note</i> )	Long position	106,821,636	72,952,000	179,773,636	12.85%
Mr. XIN Shulin	Long position	8,032,000	—	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	20,384,304	—	20,384,304	1.46%
Mr. KWOK Lam Kwong, Larry, <i>B.B.S., J.P.</i>	Long position	1,000,000	—	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	—	500,000	0.04%
Mr. YU Qihao	Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohu	Long position	160,000	—	160,000	0.01%

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

*Note:* 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

(b) *Interests in respect of an associated corporation:*

Directors			Number of shares and underlying shares held		% of issued share capital of the associated corporation
			Personal interests	Total	
Mr. LO Yuen Yat	China Assets	Long position	1,575,000	1,575,000	2.06%
Mr. YEUNG Wai Kin	China Assets	Long position	1,250,000	1,250,000	1.63%

Saved as disclosed above, at no time during the period, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

## DISCLOSURE OF INTERESTS (continued)

### Share Options

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

Movement of share options during the six months ended 30th June 2010 is as follows:

	Options held at 1st January 2010	Options lapsed during period	Options held at 30th June 2010	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:							
Mr. LO Yuen Yat	11,944,000	—	11,944,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. XIN Shulin	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YEUNG Wai Kin	11,810,000	—	11,810,000	0.564	30/11/2005	30/05/2006–11/12/2015	30/11/2005–29/05/2006
	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. KWOK Lam Kwong, Larry, B.B.S., J.P.	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Prof. WOO Chia-Wei	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. LIU Ji	500,000	—	500,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YU Qihao	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Employees	7,400,000	—	7,400,000	0.680	03/03/2006	03/03/2008–02/03/2016	03/03/2006–02/03/2008
	4,000,000	(1,000,000)	3,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
	54,718,000	(1,000,000)	53,718,000				

#### Notes:

- (1) No share options were granted or exercised under the Scheme during the six months ended 30th June 2010.
- (2) No share options granted under the Scheme were cancelled during the six months ended 30th June 2010.
- (3) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2009.

## DISCLOSURE OF INTERESTS (continued)

### Substantial Shareholders' Interests

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2010, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK\$0.2 each in the Company:

		Personal interests	Family interests	Corporate interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	—	—	247,674,500	247,674,500	17.70%
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note 2)	Long position	159,680,000	12,432,000	57,592,000	229,704,000	16.42%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note 2)	Long position	12,432,000	159,680,000	57,592,000	229,704,000	16.42%

Notes:

- (1) China Assets is a Hong Kong listed company, which is also an associated company of the Group.
- (2) 57,592,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.

### Purchase, Sale or Redemption of the Company's Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## Interim Dividend

The Board does not recommend the payment of an interim dividend (2009: HK\$Nil) for the six months ended 30th June 2010.

## Compliance with Code on Corporate Governance Practices

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

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

## Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and the four independent non-executive Directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee acts in an advisory capacity and makes recommendations to the Board.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited consolidated interim results for the six months ended 30th June 2010 for approval by the Board.

## Remuneration Committee

A Remuneration Committee, now comprising three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat, was established on 30th June 2005. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes. Meetings will be held in the second half of this year to discuss the above for the year of 2010 in details.

## 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. Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

By order of the Board  
**LO Yuen Yat**  
*Chairman*

Hong Kong, 27th August 2010