

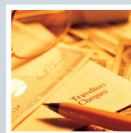


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FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Stock Code : 227)



2008
INTERIM REPORT

FIRST SHANGHAI INVESTMENTS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Lao Yuan-Yi

Executive Directors

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Non-executive Director

Mr. Kwok Lam Kwong, Larry, J.P.

Independent Non-executive Directors

Prof. Woo Chia-Wei

Mr. Liu Ji

Mr. Yu Qi-Hao

Mr. Zhou Xiaohu

COMPANY SECRETARY

Mr. Yeung Wai Kin

REGISTERED OFFICE

Room 1903, Wing On House

71 Des Voeux Road Central

Hong Kong

Telephone: (852) 2522 2101

Fax: (852) 2810 6789

E-mail address: enquiry@firstshanghai.com.hk

Website: www.firstshanghai.com.hk

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

Richards Butler

T. H. Koo & Associates

Jennifer Cheung & Co

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

Standard Chartered Bank

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

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

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (together, the "Group") for the six months ended 30th June 2008 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
Revenue	4	118,509	343,069
Cost of sales		(87,136)	(96,126)
Gross profit		31,373	246,943
Other gains — net	5	11,442	150,252
Selling and distribution costs		(1,353)	(2,600)
Administrative expenses		(42,967)	(130,030)
Operating (loss)/profit	4 and 6	(1,505)	264,565
Finance costs		(668)	(14,818)
Share of profits less losses of			
— Associated companies		9,843	(1,445)
— Jointly controlled entities		3,198	260
Profit before taxation		10,868	248,562
Taxation	8	(10,220)	(8,310)
Profit for the period		648	240,252
Attributable to:			
Shareholders of the Company		2,888	244,165
Minority interests		(2,240)	(3,913)
		648	240,252
Earnings per share for profit attributable to shareholders of the Company during the period			
— basic	9	HK0.21 cent	HK20.10 cents
— diluted	9	HK0.21 cent	HK19.86 cents
Interim dividend	10	—	27,320

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Non-current assets			
Intangible assets	11	3,393	3,393
Property, plant and equipment	11	68,889	63,567
Investment properties	11	43,766	43,766
Leasehold land and land use rights	11	319,411	309,498
Properties under development	11	45,132	15,843
Investments in associated companies		348,134	412,881
Investments in jointly controlled entities		145,149	140,208
Deferred tax assets		1,917	2,531
Available-for-sale financial assets		219,560	393,934
Loans and advances		11,096	11,747
		<u>1,206,447</u>	<u>1,397,368</u>
Current assets			
Inventories		14,219	13,510
Loans and advances		507,655	584,070
Trade receivables	12	136,969	418,622
Other receivables, prepayments and deposits		154,496	153,536
Tax recoverable		214	167
Financial assets at fair value through income statement		342,737	425,366
Cash and cash equivalents		659,978	576,981
		<u>1,816,268</u>	<u>2,172,252</u>
Current liabilities			
Trade and other payables	13	346,079	668,126
Tax payable		60,581	52,978
Financial liabilities at fair value through income statement		—	5,632
Borrowings		3,410	3,217
		<u>410,070</u>	<u>729,953</u>
Net current assets		<u>1,406,198</u>	<u>1,442,299</u>
Total assets less current liabilities		<u>2,612,645</u>	<u>2,839,667</u>
Non-current liabilities			
Deferred tax liabilities		837	700
Net assets		<u>2,611,808</u>	<u>2,838,967</u>
Equity			
Share capital	14	279,177	278,293
Reserves		2,277,233	2,505,598
Capital and reserves attributable to the Company's shareholders		2,556,410	2,783,891
Minority interests		55,398	55,076
Total equity		<u>2,611,808</u>	<u>2,838,967</u>

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	104,920	(59,351)
Net cash (used in)/generated from investing activities	(22,892)	195,890
Net cash (used in)/generated from financing activities	(10,986)	220,113
Net increase in cash and cash equivalents	71,042	356,652
Cash and cash equivalents at 1st January	576,981	476,142
Exchange gain/(loss) on cash and cash equivalents	11,955	(1,237)
Cash and cash equivalents at 30th June	659,978	831,557
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	251,259	86,409
Short-term bank deposits		
— secured	15,000	15,000
— unsecured	393,719	730,148
Cash and cash equivalents	659,978	831,557

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

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

	Unaudited										Minority interests	Total
	Attributable to shareholders of the Company											
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Convertible bonds equity reserve	Exchange fluctuation reserve	Retained earnings		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st January 2007	238,773	597,406	16,498	164,364	14,006	12,262	41,272	—	22,020	515,812	73,258	1,695,671
Issue of new shares on placement	19,000	175,750	—	—	—	—	—	—	—	—	—	194,750
Issue of new shares on exercise of share options	15,431	40,045	(11,609)	—	—	—	—	—	—	—	—	43,867
Employees share option benefits	—	—	9,568	—	—	—	—	—	—	—	—	9,568
Recognition of equity components of convertible bonds	—	—	—	—	—	—	—	2,382	—	—	—	2,382
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	551	—	—	551
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(2,917)	—	(27,506)	(30,423)
Capital contribution to a subsidiary by its minority shareholders	—	—	—	—	—	—	—	—	419	—	11,853	12,272
Share of post-acquisition reserves of an associated company	—	—	—	90,038	—	—	—	—	—	—	—	90,038
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	306,621	—	—	—	—	306,621
Reserve realised upon disposal of available-for-sale financial assets	—	—	—	—	—	—	563	—	—	—	—	563
Currency translation differences	—	—	—	(561)	—	—	—	—	16,731	—	1,736	17,906
Profit for the period	—	—	—	—	—	—	—	—	—	244,165	(3,913)	240,252
2006 final dividend paid	—	—	—	—	—	—	—	—	—	(6,130)	—	(6,130)
Balance at 30th June 2007	<u>273,204</u>	<u>813,201</u>	<u>14,457</u>	<u>253,841</u>	<u>14,006</u>	<u>12,262</u>	<u>348,456</u>	<u>2,382</u>	<u>36,804</u>	<u>753,847</u>	<u>55,428</u>	<u>2,577,888</u>

The notes on pages 6 to 17 form an integral part of this condensed consolidated interim financial information.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

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

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

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

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

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 19th September 2008.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2007 with the additions of the new interpretation to existing Standard, HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions", which is mandatory for the first time for financial year beginning 1st January 2008. The adoption of such new interpretation to existing Standard does not result in substantial changes to the Group's accounting policies and has no significant effect on the interim results.

The following new interpretations to existing Standards which are mandatory for the first time for financial year beginning 1st January 2008 but are not relevant to the Group's operation:

- HK(IFRIC) — Int 12 Service concession arrangements; and
- HK(IFRIC) — Int 14 HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction.

The following new Standards, amendments and interpretations to existing Standards have been issued but are not effective for financial year beginning 1st January 2008 and have not been early adopted:

- HKAS 1 (Revised) Presentation of financial statements;
- HKAS 23 (Revised) Borrowing costs;
- HKAS 27 (Revised) Consolidated and separate financial statements;
- HKAS 32 Amendment Financial instruments: presentation;
- HKFRS 2 Amendment Share-based payment;
- HKFRS 3 (Revised) Business combinations;
- HKFRS 8 Operating segments;
- HK(IFRIC) — Int 13 Customer loyalty programmes;
- HK(IFRIC) — Int 15 Agreements for the construction of real estate; and
- HK(IFRIC) — Int 16 Hedges of a net investment in a foreign operation.

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

4. Segment information

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, and properties under development.

In respect of geographical segment reporting, revenue is based on the country in which the customers are allocated.

Primary reporting format — business segments

The Group is organised into five main business segments:

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

The unaudited segment results, capital expenditure, depreciation and amortisation of leasehold land and land use rights of the Group for the six months ended 30th June 2008 are as follows:

	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment and management HK\$'000	Group HK\$'000
Revenue	(75,699)	144,236	—	2,325	47,647	118,509
Segment results	(68,125)	65,391	(1,352)	(1,656)	4,237	(1,505)
Finance costs	—	(536)	—	—	(132)	(668)
Share of profits less losses of						
— Associated companies	(17)	—	—	—	9,860	9,843
— Jointly controlled entities	—	—	—	3,085	113	3,198
Profit before taxation						10,868
Taxation						(10,220)
Profit for the period						648
Other information						
Capital expenditure	—	2,402	27,979	4,614	781	35,776
Depreciation	2	1,042	80	438	3,234	4,796
Amortisation of leasehold land and land use rights	—	—	1,576	1,353	360	3,289

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4. Segment information (Continued)

Primary reporting format — business segments (Continued)

The unaudited segment results, capital expenditure, depreciation and amortisation of leasehold land and land use rights of the Group for the six months ended 30th June 2007 are as follows:

	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000 (Note (b))	Property investment and hotel HK\$'000 (Note (b))	Direct investment and management HK\$'000 (Note (b))	Group HK\$'000
Revenue	<u>114,592</u>	<u>138,100</u>	<u>—</u>	<u>28,174</u>	<u>62,203</u>	<u>343,069</u>
Segment results	<u>97,737</u>	<u>53,010</u>	<u>(347)</u>	<u>149,952</u>	<u>(35,787)</u>	264,565
Finance costs	—	(11,583)	—	(2,932)	(303)	(14,818)
Share of profits less losses of						
— Associated companies	(225)	—	—	—	(1,220)	(1,445)
— Jointly controlled entities	—	—	—	254	6	<u>260</u>
Profit before taxation						248,562
Taxation						<u>(8,310)</u>
Profit for the period						<u>240,252</u>
Other information						
Capital expenditure	78	1,058	466	923	471	2,996
Depreciation	99	826	34	5,494	3,287	9,740
Amortisation of leasehold land and land use rights	—	—	—	264	326	590

Notes:

- (a) There are no sales or other transactions among the business segments.
- (b) To conform with the business segment presentation in current period, the Group's investment holding and management, motor vehicle meters and components manufacturing, and container transportation and freight forwarding services, previously presented as separate segments, have been reclassified to be disclosed under direct investment and management segment. The Group's property development and property investment businesses, previously included in property development and investment, have been separated to be disclosed under property development segment and property investment and hotel segment respectively. The Group's hotel operation, previously presented as a separate segment, has been reclassified to be disclosed under property investment and hotel segment.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

4. Segment information (Continued)

Primary reporting format — business segments (Continued)

The unaudited segment assets and liabilities of the Group as at 30th June 2008 are as follows:

	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment and management HK\$'000	Group HK\$'000
Segment assets	363,314	793,881	421,881	283,048	665,177	2,527,301
Investments in associated companies	197	—	—	—	347,937	348,134
Investments in jointly controlled entities	—	—	—	121,640	23,509	145,149
Tax recoverable						214
Deferred tax assets						1,917
Total assets						<u>3,022,715</u>
Segment liabilities	109,838	122,568	50,167	10,041	56,875	349,489
Tax payable						60,581
Deferred tax liabilities						837
Total liabilities						<u>410,907</u>

The audited segment assets and liabilities of the Group as at 31st December 2007 are as follows:

	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000 (Note)	Property investment and hotel HK\$'000 (Note)	Direct investment and management HK\$'000 (Note)	Group HK\$'000
Segment assets	438,071	1,078,544	335,449	209,885	951,884	3,013,833
Investments in associated companies	214	—	—	—	412,667	412,881
Investments in jointly controlled entities	—	—	—	118,148	22,060	140,208
Tax recoverable						167
Deferred tax assets						2,531
Total assets						<u>3,569,620</u>
Segment liabilities	124,212	302,656	23,217	6,123	220,767	676,975
Tax payable						52,978
Deferred tax liabilities						700
Total liabilities						<u>730,653</u>

Note: To conform with the business segment presentation in current period, the Group's investment holding and management, motor vehicle meters and components manufacturing, and container transportation and freight forwarding services, previously presented as separate segments, have been reclassified to be disclosed under direct investment and management segment. The Group's property development and property investment businesses, previously included in property development and investment, have been separated to be disclosed under property development segment and property investment and hotel segment respectively. The Group's hotel operation, previously presented as a separate segment, has been reclassified to be disclosed under property investment and hotel segment.

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

4. Segment information *(Continued)*

Secondary reporting format – geographical segments

The Group operates in two main geographical areas:

- Hong Kong — securities investment, corporate finance and stockbroking, and direct investment and management
- Chinese Mainland — property development, property investment and hotel, and direct investment and management

	Unaudited			Capital expenditure Six months ended 30th June 2008 HK\$'000
	Revenue	Segment results	Total assets	
	Six months ended 30th June		30th June	
	2008	2008	2008	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	70,887	9,336	1,465,373	2,485
Chinese Mainland	48,799	(6,980)	1,031,287	33,291
Others	(1,177)	(3,861)	30,641	—
	<u>118,509</u>	<u>(1,505)</u>	<u>2,527,301</u>	<u>35,776</u>
Investments in associated companies			348,134	
Investments in jointly controlled entities			145,149	
Tax recoverable			214	
Deferred tax assets			1,917	
Total assets			<u>3,022,715</u>	

	Unaudited		Audited	Unaudited
	Revenue	Segment results	Total assets	Capital expenditure
	Six months ended 30th June		31st December	Six months ended
	2007	2007	2007	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	252,541	123,045	2,103,501	148
Chinese Mainland	88,214	139,741	891,879	2,770
Others	2,314	1,779	18,453	78
	<u>343,069</u>	<u>264,565</u>	<u>3,013,833</u>	<u>2,996</u>
Investments in associated companies			412,881	
Investments in jointly controlled entities			140,208	
Tax recoverable			167	
Deferred tax assets			2,531	
Total assets			<u>3,569,620</u>	

Note: There are no sales among the geographical segments.

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

5. Other gains – net

	Unaudited Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Interest income	11,452	5,848
Gain on disposal of subsidiaries	—	146,844
Loss on disposal of available-for-sale financial assets	—	(91)
Others	(10)	(2,349)
	<u>11,442</u>	<u>150,252</u>

6. Operating (loss)/profit

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

	Unaudited Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Crediting:		
Net gain on disposal of property, plant and equipment	—	54
Charging:		
Depreciation	4,796	9,740
Amortisation of leasehold land and land use rights	3,289	590
Staff costs (<i>Note 7</i>)	45,888	100,590
Net loss on disposal of property, plant and equipment	100	—
	<u>45,888</u>	<u>100,590</u>

7. Staff costs

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Wages, salaries and allowances	40,729	84,119
Retirement benefit costs	2,381	2,538
Other employee benefits	2,559	4,365
Employees share option benefits	219	9,568
	<u>45,888</u>	<u>100,590</u>

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

8. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Hong Kong profits tax		
— Current	8,697	10,100
— Under/(over) provision in previous years	89	(2,272)
Overseas profits tax		
— Current	1,066	661
— Over provision in previous years	(455)	—
Deferred taxation	823	(179)
Taxation charge	<u>10,220</u>	<u>8,310</u>

9. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$2,888,000 (2007: HK\$244,165,000). The basic earnings per share is based on the weighted average number of 1,393,337,189 (2007: 1,214,864,804) ordinary shares in issue during the period. The diluted earnings per share is based on 1,407,771,279 (2007: 1,229,457,162) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 14,434,090 (2007: 14,592,358) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

10. Interim dividend

The directors do not recommend the payment of an interim dividend (2007: HK\$0.02 per ordinary share totalling HK\$27,320,000) for the six months ended 30th June 2008.

At a meeting held on 18th April 2008, the Board declared a final dividend of HK\$0.01 (2006: HK\$0.005) per ordinary share for the year ended 31st December 2007. Total amount of approximately HK\$13,958,000 (2007: HK\$6,130,000) was paid in 2008 and has been fully reflected as an appropriation of retained earnings for the six months ended 30th June 2008.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

11. Capital expenditure

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

	Audited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000	Properties under development HK\$'000
Net book value at 1st January 2007	3,393	268,340	39,828	67,478	—
Additions	—	12,095	—	264,518	14,587
Disposals	—	(213)	—	—	—
Disposal of subsidiaries	—	(212,057)	—	(18,372)	—
Depreciation and amortisation	—	(14,627)	—	(3,941)	—
Amortisation capitalised in properties under development	—	—	—	(1,256)	1,256
Net increase in fair value of investment properties	—	—	3,938	—	—
Exchange differences	—	10,029	—	1,071	—
Net book value at 31st December 2007	<u>3,393</u>	<u>63,567</u>	<u>43,766</u>	<u>309,498</u>	<u>15,843</u>

12. Trade receivables

	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	18,172	68,683
Due from stockbroking clients	64,436	280,589
Trade receivables	58,080	73,439
Bills receivables	—	557
	<u>140,688</u>	<u>423,268</u>
Provision for impairment	(3,719)	(4,646)
	<u>136,969</u>	<u>418,622</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

12. Trade receivables (Continued)

At 30th June 2008 and 31st December 2007, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
0 — 30 days	112,240	396,209
31 — 60 days	6,148	6,704
61 — 90 days	7,224	4,021
Over 90 days	11,357	11,688
	136,969	418,622

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 credit terms of 30 to 90 days.

13. Trade and other payables

	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Due to stockbrokers and dealers	—	3,738
Due to stockbroking clients	107,567	356,385
Trade payables	33,221	30,442
Total trade payables	140,788	390,565
Other payables and accruals	205,291	277,561
	346,079	668,126

At 30th June 2008 and 31st December 2007, the ageing analysis of total trade payables is as follows:

	Unaudited 30th June 2008 HK\$'000	Audited 31st December 2007 HK\$'000
0 — 30 days	113,878	362,532
31 — 60 days	1,939	1,730
61 — 90 days	1,122	1,965
Over 90 days	23,849	24,338
	140,788	390,565

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

14. Share capital

	Unaudited 30th June 2008		Audited 31st December 2007	
	Number of shares '000	HK\$ '000	Number of shares '000	HK\$ '000
Authorised:				
Ordinary shares of HK\$0.2 each	<u>2,000,000</u>	<u>400,000</u>	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January	1,391,463	278,293	1,193,867	238,773
Issue of new shares on placement	—	—	95,000	19,000
New issue on conversion of convertible bonds	—	—	24,136	4,828
Exercise of share options	<u>4,420</u>	<u>884</u>	<u>78,460</u>	<u>15,692</u>
	<u>1,395,883</u>	<u>279,177</u>	<u>1,391,463</u>	<u>278,293</u>

During the period, 4,420,000 (2007: 78,460,000) new shares of HK\$0.2 each were issued upon exercise of options under the Employee Share Option Scheme adopted by the Company on 24th May 2002 at exercise price HK\$0.68 (2007: HK\$0.283 to HK\$1.95) per share. The related weighted average share price at the time of exercise was HK\$1.647 (2007: HK\$1.783) per share. These shares rank *pari passu* with the existing shares of the Company.

15. Commitments

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

	Unaudited 30th June 2008 HK\$ '000	Audited 31st December 2007 HK\$ '000
Contracted but not provided for	<u>57,083</u>	<u>96,787</u>
Authorised but not contracted	<u>1,062,219</u>	<u>798,933</u>
The Group's share of capital commitments of an associated company and a jointly controlled entity not included in the above is as follows:		
Contracted but not provided for	<u>10,732</u>	<u>—</u>
Authorised but not contracted	<u>263,291</u>	<u>257,270</u>

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

15. Commitments *(Continued)*

(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 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Not later than one year	2,664	5,181
Later than one year but not later than five years	3,022	3,530
More than five years	841	1,126
	6,527	9,837

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 2008 HK\$'000	Audited 31st December 2007 HK\$'000
Not later than one year	7,708	5,609
Later than one year but not later than five years	5,670	2,037
	13,378	7,646

16. Related party transactions

During the period, the Group had the following material transactions with related parties, which were carried out in normal course of business at terms determined and agreed by both parties.

(a) Transactions with related parties

	Unaudited Six months ended 30th June 2008 HK\$'000	2007 HK\$'000
Purchase of raw materials from associated companies	—	1,032
Acquisition of subsidiaries from related parties	—	53,960
Amount due to a related party	—	1,947

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

16. Related party transactions *(Continued)*

(b) Key management compensation

	Unaudited Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Fees	720	600
Salaries and other employee benefits	3,531	3,779
Retirement benefit costs	299	295
Employees share option benefits	—	7,288
	4,550	11,962

17. Contingent liabilities

As at 30th June 2008, the Group had no material contingent liabilities.

18. Event after the balance sheet date

On 11th September 2008, the Company has announced to terminate the proposed acquisition of 75% interest in Shenyang Heat Supply Group Limited as stipulated in an announcement dated 1st November 2007 issued by the Company. As at the date of this report, First Shanghai Public Utility Investments Limited, a jointly controlled entity of the Group, has received the full refund of the deposit of US\$26 million from Shenyang United Assets and Equity Exchange.

BUSINESS REVIEW

After years of speedy economic growth, under the pressure of inflation and volatile global financial market, economic development in Hong Kong was not good in 2008. The Hong Kong financial market was adversely affected with enlarging US sub-prime crisis, shrinking global liquidity and softening economic growth in Chinese Mainland. Property market in Chinese Mainland was further contracted with a series of macroeconomic measures imposed by the Central Government to prevent the overheated economic growth from last year.

During the first half year of 2008, the Group has experienced a challenging period resulting in a net profit attributable to shareholders of approximately HK\$3 million, representing a material drop from the corresponding period of 2007 of approximately HK\$244 million. Excluding the significant gain of approximately HK\$147 million captured from disposal of Kunshan Hotel in the first half year of 2007, the Group's overall result dropped with a significant loss in an unlisted investment fund suffered from the dampening securities market. Nevertheless, the stockbroking and corporate finance business met expectation and recorded a 23% increase in segment results over the same period of 2007 and continuously acting as a major profit contributor to the Group.

The total net assets of the Group decreased slightly from approximately HK\$2,839 million at 31st December 2007 to approximately HK\$2,612 million at 30th June 2008, mainly reflecting the decrease in fair value of its investment in the holding company of a Hong Kong listed company, Shenyin Wanguo (H.K.) Limited. As the Group is holding this investment for long term strategic purpose, the impact on fair value change will not be realised in the income statement until disposal.

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

Financial Services

The Group focuses its securities investment and securities brokerage business on the stocks and futures market in Hong Kong as well as the B-share market in Chinese Mainland. During the first half year of 2008, both securities markets were adversely affected with the uncertainties in global investment sentiment. Hang Seng Index dropped from its peak of over 31,000 points in November 2007 to 22,102 points at 30th June 2008. Total market capitalisation and average daily market turnover of the Hong Kong stock market have lowered to approximately HK\$16.4 trillion and HK\$87.3 billion respectively. Equity capital market declined significantly in the first half year of 2008 as a result of lost of market confidence, leading to a 37% drops on total fund raising size over the same period of 2007.

BUSINESS REVIEW *(Continued)*

Financial Services *(Continued)*

Suffered from the intensified stock market volatility, the Group's securities investment business recorded significant loss of approximately HK\$68 million. On the other hand, the Group's stockbroking and corporate finance business still recorded a moderate growth with its enlarged customer base and slight increase in transaction volume comparing the interim results of 2008 and 2007. Segment revenue and operating results were approximately HK\$144 million and HK\$65 million respectively, representing an increase of 4% and 23% corresponding to the same period of 2007. This satisfactory result was also attributable to the successful strategy in strengthening our institutional sales segment with various QDII funds and our research team in last year.

Our corporate finance team continued to be an active player in the financial advisory and the IPO market. In the first half year of 2008, we completed over 15 corporate advisory assignments and acted as compliance advisers to 4 listed companies. We also successfully completed the migration of NetDragon Websoft Inc., a leading Chinese online game developer and operator, from GEM to the Main Board of the Hong Kong Stock Exchange.

Property and Hotel

With the tight monetary policy and various macroeconomic measures controlling the GDP growth rate and soaring inflation rate by the Central Government, the property market across the Chinese Mainland generally experienced a decline in the number of sales transaction. Nevertheless, selling prices for high to middle end properties remained resilient in the cities in which we operate including Shanghai and Wuxi.

Our Property and Hotel Division is capitalising on the robust growth prospects offered by the vibrant urban markets of China in the past few years. Our strategy is to develop properties in fast growing cities such as Kunshan, Wuxi and Zhongshan. Specialising in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts, the Group currently has accumulated land for development up to a total gross floor area of approximately 390,000 square meters attributable to five development sites which are under development mainly with internal capital resources. During the first half year of 2008, the Group continued its development of a commercial and residential complex in Kunshan and has successfully launched its pre-sales in June 2008 as scheduled. Besides, the Group has entered into an operating agreement with Hilton to operate its five-star hotel under development in Wuxi. The Group expects the hotel will commence operation in 2011. To bring consistent returns to the Group, we also plan to commence the development of another site in Kunshan in the second half of the year.

BUSINESS REVIEW *(Continued)*

Direct Investment

The Group currently invests in certain direct investment projects, the major contributor is our listed associate, China Assets (Holdings) Limited, which has reported a significant gain fruiting from the dividend income received from its investment in a Chinese securities investment fund in the first half year of 2008.

In November 2007, the Company announced to propose an acquisition of 75% equity interest in Shenyang Heat Supply Group at a consideration of approximately RMB325 million in order to allow the Company to involve in the public utility business in Chinese Mainland and to benefit from the fast economic growth in Shenyang. However, as the parties are unable to conclude the terms relating to the transaction, the Management considers it is to the best interest of the Company and its shareholders as a whole to terminate this proposal. On 11th September 2008, the Company has announced to terminate the tendered acquisition. As at the date of this report, First Shanghai Public Utility Investments Limited, a jointly controlled entity of the Group, has received the full refund of the deposit of US\$26 million from Shenyang United Assets and Equity Exchange. Such events are not expected to have any material adverse financial impact of the Group. Looking forward, the Management will continue its active but prudent approach in pursuing new potential investment projects and be confident to bring benefit to the Group.

PROSPECTS

In 2008, the global economy is encountering significant challenges. The US sub-prime crisis leading to a general credit crunch and intensified stock market volatility is expected to be continued for the year. The Central Government is expected to continue its tight monetary policy. However, after the depreciation of various Asian currencies and commodity price, the pressure of inflation has been slightly softened. If the economic development slows down further in the second half of the year, the Management believes the magnitude of macro control by the Central Government will be gradually relaxed. The growth momentum in China is still attractive despite the unfavorable economic environment outside China. With the efforts of the government to ensure a stable and healthy economic environment and the continuous increase in domestic demand in Chinese Mainland, the Management believes that it will sustain future development of the Group.

For the second half of the year, the Group will continue to monitor the market and refine the Group's operational efficiency so as to consolidate for future growth in the financial market. To capture the business opportunities in long run, the Group will strengthen its professional team of Financial Services Sector and enhance its product and service offerings. We will make full use of our brand recognition and business network in Chinese Mainland to further strengthen our customer base and market share.

The Management is confident of the prospect of the property market in Chinese Mainland. With the strong financial position, the Group will continue to expand its prime land bank and to improve its operational capability so as to persistently enhance its competitive advantages and brand establishment. Meanwhile, the Group will continue to pursue strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

For the six months ended 30th June 2008, the Group's net profit attributable to shareholders and gross profit were approximately HK\$3 million and HK\$31 million respectively, down from approximately HK\$244 million and HK\$247 million respectively from the corresponding period of 2007. Basic earnings per share attributable to the shareholders of the Company dropped from HK20.10 cents in 2007 to HK0.21 cent in 2008. Revenue of the Group was approximately HK\$119 million, representing a decrease by 65% over the same period of 2007.

Liquidity and financial resources

The Group relies principally on its internal resources to fund its operations and investment activities. Bank loan is raised occasionally to meet the different demands of our various investment projects. As at 30th June 2008, the Group had raised bank loans of approximately HK\$3 million and held approximately HK\$660 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.1%. Investment in financial assets at fair value through income statement as at 30th June 2008 amounted to approximately HK\$343 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will remain in a stable pattern for the remaining period of 2008. The Group has no significant exposure to other foreign exchange fluctuations.

Pledge of assets

The Group has pledged properties and leasehold land and land use rights with an aggregate net book value of approximately HK\$59 million as at 30th June 2008 (31st December 2007: HK\$59 million) and fixed deposits of approximately HK\$15 million (31st December 2007: HK\$33 million) against bank loans and general banking facilities granted. As at 30th June 2008, no bank loans or general banking facilities (31st December 2007: HK\$18 million) was utilised.

Human resources

As at 30th June 2008, the Group employed 580 (30th June 2007: 587) staff, of which 483 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 2008 amounted to approximately HK\$46 million.

Material acquisitions, disposals and significant investments

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

Contingent liabilities

As at 30th June 2008, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend (2007: HK\$0.02 per ordinary share totalling HK\$27,320,000) for the six months ended 30th June 2008.

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

At 30th June 2008, the interests of the Directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

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

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal Interests	Corporate Interests	Total	
Mr. Lao Yuan-Yi	Long position	104,589,636	72,952,000	177,541,636	12.72%
Mr. Xin Shulin, Steve	Long position	8,032,000	—	8,032,000	0.58%
Mr. Yeung Wai Kin	Long position	21,824,304	—	21,824,304	1.56%
Mr. Kwok Lam Kwong, Larry, J.P.	Long position	1,000,000	—	1,000,000	0.07%
Prof. Woo Chia-Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. Liu Ji	Long position	500,000	—	500,000	0.04%
Mr. Yu Qi-Hao	Long position	1,000,000	—	1,000,000	0.07%
Mr. Zhou Xiaohu	Long position	160,000	—	160,000	0.01%

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

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

Directors			Number of shares and underlying shares held		% of issued share capital of the associated corporation
			Personal Interests	Total	
Mr. Lao Yuan-Yi	China Assets	Long position	1,475,000	1,475,000	1.93%
Mr. Yeung Wai Kin	China Assets	Long position	1,350,000	1,350,000	1.76%

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

SHARE OPTIONS

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

Movement of share options during the six months ended 30th June 2008 is as follows:

	Options held at 1st January 2008	Options exercised during period (Note 2)	Options lapsed during period	Options held at 30th June 2008	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:								
Mr. Lao Yuan-Yi	11,944,000	—	—	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Xin Shulin, Steve	8,032,000	—	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yeung Wai Kin	11,810,000	—	—	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	8,032,000	—	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Kwok Lam Kwong, Larry, J.P.	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. Woo Chia-Wei	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Liu Ji	500,000	—	—	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yu Qi-Hao	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	15,350,000	(4,420,000)	(500,000)	10,430,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	4,000,000	—	—	4,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	<u>62,668,000</u>	<u>(4,420,000)</u>	<u>(500,000)</u>	<u>57,748,000</u>				

SHARE OPTIONS *(Continued)*

Notes:

- (1) No share options were granted under the Scheme during the six months ended 30th June 2008.
- (2) During the period, 4,420,000 shares options were exercised under the Scheme with an exercise price at HK\$0.68 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$1.64 per share.
- (3) No share options granted under the Scheme were cancelled during the six months ended 30th June 2008.
- (4) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2007.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2008, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

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

		Corporate Interests	Percentage
China Assets (Holdings) Limited ("China Assets")	Long position	247,674,500	17.74%

China Assets is a Hong Kong listed company, which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital of the Company as at 30th June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. Kwok Lam Kwong, Larry, J.P. and the four independent non-executive Directors, Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qi-Hao and Mr. Zhou Xiaohu. The Audit Committee acts in an advisory capacity and makes recommendations to the Board.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited interim financial statements for the six months ended 30th June 2008 for approval by the Board.

REMUNERATION COMMITTEE

A Remuneration Committee, now comprising three independent non-executive directors, Prof. Woo Chia-Wei, Mr. Yu Qi-Hao and Mr. Zhou Xiaohu and an executive director, Mr. Lao Yuan-Yi, was established on 30th June 2005. The committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes. Meetings will be held in the second half of this year to discuss the above for the year of 2008 in details.

COMPLIANCE WITH CODE ON GOVERNANCE PRACTICES

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

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Lao Yuan-Yi holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Lao provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

COMPLIANCE WITH THE MODEL CODE

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

By order of the Board

LAO Yuan-Yi

Chairman

Hong Kong, 19th September 2008