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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2010

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 as follows:

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited 30th June 2010 | Audited 31st December 2009 (Restated) |
|---|-------------|--------------------------------|--|
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current assets | | | |
| 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 |
| | | <u>1,319,451</u> | <u>1,283,904</u> |
| Current assets | | | |
| 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 |
| | | <u>1,676,764</u> | <u>2,005,137</u> |
| Assets classified as held for sale | 16 | 13,755 | — |
| | | <u>1,690,519</u> | <u>2,005,137</u> |
| Current liabilities | | | |
| Trade and other payables | 13 | 173,223 | 477,292 |
| Tax payable | | 37,023 | 34,681 |
| Borrowings | 14 | 3,439 | 3,407 |
| | | <u>213,685</u> | <u>515,380</u> |
| Net current assets | | | |
| | | <u>1,476,834</u> | <u>1,489,757</u> |
| Total assets less current liabilities | | | |
| | | <u>2,796,285</u> | <u>2,773,661</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 8,278 | 7,703 |
| Borrowings | 14 | 110,043 | 11,357 |
| | | <u>118,321</u> | <u>19,060</u> |
| Net assets | | | |
| | | <u>2,677,964</u> | <u>2,754,601</u> |
| Equity | | | |
| 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 |
| Total equity | | | |
| | | <u>2,677,964</u> | <u>2,754,601</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

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.

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 |
|--|--|--|
| <u>Condensed consolidated balance sheet</u> | | |
| 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 |
|--|---|------------------|
| <u>Condensed consolidated income statement</u> | | |
| 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.

(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 |
|--|--|--|
| <u>Condensed consolidated balance sheet</u> | | |
| Decrease in leasehold land and land use rights | (36,266) | (36,287) |
| Increase in property, plant and equipment | 36,266 | 36,287 |

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 — 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.

(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:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| ● | 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.

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 | <u>(17,138)</u> | <u>118,121</u> | <u>33,642</u> | <u>2,778</u> | <u>3,581</u> | <u>140,984</u> |
| Segment results | <u>(19,376)</u> | <u>44,164</u> | <u>6,898</u> | <u>(6,136)</u> | <u>(8,738)</u> | 16,812 |
| Unallocated net operating expenses | | | | | | <u>(12,228)</u> |
| 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 | <u>6,265</u> |
| Loss before taxation | | | | | | (1,686) |
| Taxation | | | | | | <u>(10,495)</u> |
| Loss for the period | | | | | | <u>(12,181)</u> |

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) | | | | | Group HK\$'000 |
|---------------------------------------|--------------------------------------|--|-------------------------------------|---|----------------------------------|-------------------|
| | Securities investment HK\$'000 | Corporate finance and stockbroking HK\$'000 | Property development HK\$'000 | Property investment and hotel HK\$'000 | Direct investment HK\$'000 | |
| Revenue | 48,162 | 92,607 | — | 2,119 | 30,714 | 173,602 |
| Segment results | 48,056 | 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.

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

| | Unaudited | | | | | Group HK\$'000 |
|---|--------------------------------------|--|-------------------------------------|---|----------------------------------|-------------------|
| | Securities investment HK\$'000 | Corporate finance and stockbroking HK\$'000 | Property development HK\$'000 | Property investment and hotel HK\$'000 | Direct investment HK\$'000 | |
| Segment assets | 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 <i>HK\$'000</i> | Corporate finance and stockbroking <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Property investment and hotel <i>HK\$'000</i> | Direct investment <i>HK\$'000</i> | Group <i>HK\$'000</i> |
| 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 | | | | | | <u>205,613</u> |
| Total assets | | | | | | <u><u>3,289,041</u></u> |

5. Other gains/(losses) — net

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

6. Operating profit

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

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

7. Staff costs

Staff costs, including directors' remuneration, comprise:

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

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 | 2009 |
| | HK\$'000 | 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 | <u>361</u> | <u>267</u> |
| Taxation charge | <u><u>10,495</u></u> | <u><u>4,066</u></u> |

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 <i>HK\$'000</i> | Property, plant and equipment <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> | Leasehold land and land use rights <i>HK\$'000</i> |
| 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 (<i>Note 6</i>) | — | (3,668) | — | (1,692) |
| Impairment | (378) | — | — | — |
| Exchange differences | — | 1,719 | 143 | 481 |
| Net book value at 30th June 2010 | <u>2,126</u> | <u>329,666</u> | <u>73,521</u> | <u>99,585</u> |
| | Unaudited (Restated) | | | |
| | Intangible assets <i>HK\$'000</i> | Property, plant and equipment <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> | Leasehold land and land use rights <i>HK\$'000</i> |
| 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 (<i>Note 6</i>) | — | (4,339) | — | (1,689) |
| Exchange differences | — | 26 | — | 26 |
| Net book value at 30th June 2009 | <u>3,393</u> | <u>166,391</u> | <u>47,897</u> | <u>102,489</u> |

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 | <u>30,710</u> | <u>80,395</u> |
| | 122,692 | 333,770 |
| Provision for impairment | <u>(16,024)</u> | <u>(15,194)</u> |
| | <u>106,668</u> | <u>318,576</u> |

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 | <u>433</u> | <u>1,547</u> |
| | <u>106,668</u> | <u>318,576</u> |

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 | <u>27,808</u> | <u>66,756</u> |
| Total trade payables | 115,549 | 354,353 |
| Advance receipts from customers | 3,944 | 20,140 |
| Accruals and other payables | <u>53,730</u> | <u>102,799</u> |
| | <u>173,223</u> | <u>477,292</u> |

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 | <u>14,508</u> | <u>1,621</u> |
| | <u>115,549</u> | <u>354,353</u> |

14. Borrowings

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

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 | |
|---------------------------------|-------------------------------------|-----------------------|---------------------------------|-----------------------|
| | <i>Number of shares'000</i> | <i>HK\$'000</i> | <i>Number of shares'000</i> | <i>HK\$'000</i> |
| 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 | 1,398,913 | 279,783 | 1,396,383 | 279,277 |
| Exercise of share options | <u>—</u> | <u>—</u> | <u>2,530</u> | <u>506</u> |
| | <u>1,398,913</u> | <u>279,783</u> | <u>1,398,913</u> | <u>279,783</u> |

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.

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:

| | <i>HK\$'000</i> |
|-----------------------------------|-------------------|
| Purchase consideration: | |
| — Cash paid | 1,138 |
| Fair value of net assets acquired | <u>(760)</u> |
| Goodwill | <u><u>378</u></u> |

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

| | <i>Acquiree's carrying amount and fair value HK\$'000</i> |
|---|---|
| Property, plant and equipment | 57 |
| Cash and cash equivalents | 554 |
| Other receivables, prepayments and deposits | 919 |
| Inventories | 164 |
| Trade and other payables | <u>(934)</u> |
| Fair value of net assets acquired | <u><u>760</u></u> |

HK\$'000

| | |
|--|---------------------|
| Cash consideration | (1,138) |
| Cash and cash equivalents in subsidiary acquired | <u>554</u> |
| Total net cash outflow on acquisition | <u><u>(584)</u></u> |

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 | <u>256,100</u> | <u>207,655</u> |
| Authorised but not contracted | <u>936,739</u> | <u>1,109,590</u> |

(b) Commitments under operating leases

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

| | Unaudited 30th June 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 | <u>28</u> | <u>223</u> |
| | <u>8,167</u> | <u>10,764</u> |

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 <i>HK\$'000</i> | Audited 31st December 2009 <i>HK\$'000</i> |
|---|--|---|
| Not later than one year | 6,815 | 7,297 |
| Later than one year but not later than five years | 3,470 | 3,939 |
| | 10,285 | 11,236 |

19. Financial guarantee

| | Unaudited 30th June 2010 <i>HK\$'000</i> | Audited 31st December 2009 <i>HK\$'000</i> |
|---|--|---|
| 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 <i>HK\$'000</i> | 2009 <i>HK\$'000</i> |
| Fees | 750 | 750 |
| Salaries and other employee benefits | 3,731 | 3,523 |
| Retirement benefit costs | 317 | 299 |
| | 4,798 | 4,572 |

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.

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.

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 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).

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.

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.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, being Mr. LO Yuen Yat, Mr. XIN Shulin and Mr. YEUNG Wai Kin, one non-executive director, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and four independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 27th August 2010