



2017 Interim Report



商界展關懷
caring company 2014-17
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

First Shanghai Investments Limited
Stock Code: 227



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin

Mr. YEUNG Wai Kin

Non-executive Director

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

Independent Non-executive Directors

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiaohu

NOMINATION COMMITTEE

Prof. WOO Chia-Wei (*Chairman*)

Mr. LO Yuen Yat

Mr. YU Qihao

Mr. ZHOU Xiaohu

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohu (*Chairman*)

Mr. LO Yuen Yat

Prof. WOO Chia-Wei

Mr. YU Qihao

AUDIT COMMITTEE

Mr. YU Qihao (*Chairman*)

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

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. ZHOU Xiaohu

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.,

Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank (Asia)

Corporation Limited

China Construction Bank Corporation,

Hong Kong Branch

Dah Sing Bank, Limited

Standard Chartered Bank (Hong Kong)

Limited

REGISTERED OFFICE

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REGISTRARS & TRANSFER OFFICE

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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 (together, the “Group”) for the six months ended 30th June 2017 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

In the first half of 2017, the global economy has witnessed general recovery with noticeable improvement on consumption and employment rate in the US and European countries, and the gradual rebound on investments and exports statistics in emerging countries. The financial market showed positive sentiment following the Trump Trades since late 2016. Major stock indices in the US hit record highs tracking market expectation with stimulus policies from the new US Government and positive statistic data on retail consumption and employment. Financial markets of European countries also picked up with continuous quantitative easing program and fairly stable political environment. On the other hand, investment sentiment was still hindered with the uncertainty on timetable of interest rate hike by the US Fed.

In China, following austerity measures focused on structural adjustments and risk management and prudent but supportive monetary policies implemented by the Central Government, the general economy marked obvious recovery with solid GDP growth, especially on the property markets. The financial market remained steady with expectation that the Chinese economy will further improve with growth in capital investments and exports, and stabilisation on Renminbi currency rate and liquidity outflows. However, worrying about tight liquidity and restrictive measures on speculative activities, composite indices from both Shanghai and Shenzhen were still underperformed in comparing with stock indices of major financial markets.

During the reporting period, the Hong Kong economy remained challenging. Being China’s offshore risk management centre, the financial market outperformed with Hang Seng Index raised by 17% from 22,000 points to 25,764 points tracking flooding of liquidity inflow. Investment appetite was enlarged with increase in trading activities. Average daily market turnover in the first half of 2017 grew by 13% when compared with the same period of 2016. However, the market was interwoven with uncertainties on timing of the US interest rate hike, and possible risk on correction of the high property valuation.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector, Property and Hotel Sector and Direct Investment Sector, especially the new healthcare business in Hong Kong. For the first half of 2017, the Group experienced general improvement for all business sectors, except the pharmaceutical and healthcare business which was affected by the pre-operating expenses incurred for the new medical centre in Hong Kong.

During the reporting period, Financial Services Sector benefited from market liquidity and improvement on investment sentiment. The Group has recorded satisfactory contribution from both brokerage and corporate finance businesses. The performance from Financial Services Sector was improved with expansion on market activities of Hong Kong financial market. Revenue from stock brokerage business grew with increase in market turnover, despite the fact that revenue from global commodities brokerage business reported slight reduction with market volatility. Our margin financing business remained steady and has generated stable income to the Group during the reporting period. This was primarily benefited from the expansion of our customer base and research team over recent years. While devoted to providing comprehensive financial services to our customers, we will continue to widen our product range and service scope so as to align ourselves with the market growth. We will also continue to closely monitor the market situation and implement cautious and proactive strategy so as to pursue sustainable and stable growth of the Group.

In 2017, in a new regulation situation, our corporate finance business is facing a challenging year. We were engaged by numerous renowned Hong Kong listed companies to act as financial adviser and independent financial adviser for cases including but not limited to general offer, acquisitions and disposals, and a variety of continuing connected transactions. With market concern in strengthening regulation on listing in Hong Kong, IPO transactions and fund raising activities were delayed, especially on sizeable deals. Yet our experienced professional team was able to complete a sizeable general offer for a listed company on the Main Board enabling us to generate a significant increase in income for the first half of 2017. This impact was partially offset by the slight reduction in sponsorship fee generated from various IPO cases with slight delay in schedule to the second half of the year. Corporate finance service is part of the extensive financial services we offer. Our corporate finance division and other divisions will continue to contribute to generate synergy and strive for further success.

During the first half of 2017, the Central Government continued the previously adopted accommodative monetary measures to maintain the economic growth and structural reform. In the meantime, the Central Government also implemented new measures to pinpoint and overcome the polarized properties market in different tiers of cities and to discourage properties speculation. The property market of the first and second tiers cities boosted with rigid market demand, while third and fourth tiers cities were still suffering from oversupply and high inventories level. Our property development and investment business was hindered by the huge inventory level and limitation on product mixture. And sale of property still underperformed during the reporting period. However, we have notable growth in operating profit due to increase in properties revaluation gain, tracking to the recovery of the Chinese property market. We target to complete Huangshan project by end of 2017 and will continue to focus on completion of other development projects on hand.

In the first half of 2017, we make use of the sale proceed from the disposal of China Assets to set up a medical centre in Central, Hong Kong, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland in a single location with total gross floor area up to 53,500 square feet. We target to soft open the medical centre by the last quarter of 2017 and expect it to be the new profit motivator of the Direct Investment Sector in the long run.

For the six months ended 30th June 2017, the Group reported a net profit attributable to shareholders of approximately HK\$24 million, as compared with a net loss of approximately HK\$97 million in the corresponding period of 2016. The basic earnings per share attributable to the shareholders of the Company was HK1.70 cents when compared with the basic losses per share of HK6.83 cents recorded in the corresponding period of 2016.

PROSPECTS

Looking forward, we are cautiously optimistic over the economic outlook of Chinese Mainland and Hong Kong. We expect the Central Government will continue to intensify various supportive measures to strengthen structural reform of the economy and stabilise market speculative activities for development of long term economic growth. We believe the US Fed and the European Central Bank will be keen on adopting a steady and cautious approach on the pace of interest rate hike. Various geopolitical risks may affect market sentiment but not likely to generate long term adverse impact to Hong Kong economy.

Benefited with sound liquidity and improvement on overseas financial markets, we believe the Hong Kong financial market will continue its momentum in the second half of 2017. Despite the challenges from the US interest rate hike and the increasing geopolitical risk, we are conservatively optimistic on business growth of our Financial Services Sector. We will maintain a cautious and proactive approach regarding the credit control of our margin financing business, continue to upgrade our online trading platform, and strengthen our customer base. Backed up by experienced expertise and having sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we commit to continuously enhance our service and strengthen our business platform for further expansion.

We will consistently push forward our existing investment strategy on Direct Investment Sector by focusing on continuous expansion on pharmaceutical and healthcare business. We will also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2017, the Group reported a net profit attributable to shareholders of approximately HK\$24 million, as compared with a net loss of approximately HK\$97 million in the corresponding period of 2016. The improvement in the results was mainly attributable to the absence of recognition of a non-cash accounting loss on disposal of a listed associated company, China Assets (Holdings) Limited (stock code: 170), in the previous year amounted HK\$118 million. During the first half of 2017, the Group has also recorded significant increase in revaluation gain of investment properties held in Chinese Mainland by approximately HK\$20 million. The impact was partially offset by the rental expenses incurred amounted approximately HK\$22 million during the pre-operating stage of a new medical centre to be set up in Hong Kong. Besides, the overall result was further improved with increase in commission income from stock brokerage business marked to the robust market turnover and increase in trading profit from asset management arm. The basic earnings per share attributable to the shareholders of the Company was HK1.70 cents. Revenue of the Group was approximately HK\$209 million, representing an increase by 18% over the same period of 2016. Total net assets of the Group reported slight increment by 1% to approximately HK\$2,819 million when compared with approximately HK\$2,780 million as at 31st December 2016.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. For the first half of 2017, the operating profit reported from Financial Services Sector raised by 32% when compared with 2016. This was mainly attributable to the robust of trading activities in Hong Kong stock market and the increase in contribution from our corporate finance team after successful execution of a sizable general offer for a listed company on the Main Board.

During the reporting period, fruitful from being China's offshore capital risk management centre and the improve profitability of most Hong Kong listed companies, capital funds flooded into the Hong Kong stock market and boosted the trading activities. The average daily market turnover increased by 13% from HK\$67.5 billion in the first half of 2016 to HK\$76.0 billion when compared with 2017. Our brokerage business, with wide customer base, followed the market trend, and reported an increase in brokerage commission income by 29% for the first half of 2017. In addition, with the improved market sentiment, our asset management team was able to capture the growing momentum and generated significant trading gain from securities investment.

Tracking our corporate finance business, we continued to focus on financial advisory cases during the reporting period. For the six months ended 30th June 2017, eleven financial advisory cases and one general offer case were completed. In addition, five IPO cases were under processing. Income from advisory services increased by more than 1.5 times as a result of the completion of a sizable general offer for a listed company on the Main Board.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operation. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2017, operating profit from Property and Hotel Sector increased by more than 5 times as compared with the corresponding period last year marked to the significant rise in property market prices. However, revenue from sales of properties decreased by 15% as compared to the corresponding period in 2016 due to sluggish commercial property market at Wuxi New District. We will continue to adjust our product mix and focus on completion of development projects on hand in the second half of 2017.

Our property investment and management business, one of the steady income generators of the Group, reported an increase in revenue by 10% as compared with the corresponding period in 2016. For investment properties held by the Group, valuation gain increased by 282% as compared to the corresponding period in 2016 marked to the general increase in property prices.

For the six months ended 30th June 2017, revenue from hotel and golf operation slightly increased by 4% as compared with the corresponding period in 2016. It was mainly attributable to the improvement in occupancy rate, partially offset by the reduction in average room rate due to keen market competition.

Direct Investment

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. During the reporting period, the Group started its healthcare business in Hong Kong and is setting up a medical centre in Central. For the six months ended 30th June 2017, during the pre-operating stage of the medical centre, the Group has incurred rental expenses of approximately HK\$22 million. However, operating loss from Direct Investment Sector reported significant drops by 73% as compared to the corresponding period in 2016. It was mainly attributable to the absence of an one-off non-cash accounting loss on disposal of China Assets, amounted to approximately HK\$118 million in the previous year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group relied principally on its internal financial resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our property projects, margin financing and direct investment business. As at 30th June 2017, the Group had raised bank loans of approximately HK\$542 million (31st December 2016: HK\$560 million) and held approximately HK\$300 million (31st December 2016: HK\$299 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 19.2% (31st December 2016: 20.1%).

During the reporting period, there was no material change on the Group's overall share capital structure. As at 30th June 2017, the total number of issued ordinary shares was 1,418,973,012 shares (31st December 2016: 1,418,973,012 shares).

The Group's licensed subsidiaries are subject to various statutory capital requirements in accordance with the Securities and Futures (Financial Resources) Rules (Cap. 571N). During the reporting period, all licensed corporations within the Group complied with their respective requirements.

The Group's principal operations are transacted and recorded in Hong Kong dollars, Renminbi and EURO. The Group has no significant exposure to other foreign exchange fluctuations. The Group has not used any derivatives to hedge its exposure to foreign exchange risk.

MATERIAL ACQUISITIONS AND DISPOSAL

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

CHARGES OF GROUP ASSETS

The Group has charged freehold land, properties, construction-in-progress, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$896 million (31st December 2016: HK\$828 million) and fixed deposits of approximately HK\$38 million (31st December 2016: HK\$36 million) against its bank loans, general banking facilities and bank guarantee. The banking facilities amounted approximately HK\$222 million (31st December 2016: HK\$229 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks, whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30th June 2017, total contingent liabilities relating to these guarantees amounted to approximately HK\$5 million (31st December 2016: HK\$2 million).

HUMAN RESOURCES

The objective of the Group's human resources management is to reward and recognise performing staff through a competitive remuneration package and a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined contribution provident fund schemes and employee share option scheme. Staff are enrolled in external and internal training courses or seminars in order to update their professional knowledge and technical skills so as to increase their awareness of market development and business trend. As at 30th June 2017, the Group employed 649 (30th June 2016: 660) staff, of whom 487 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2017 amounted to approximately HK\$92 million (30th June 2016: HK\$85 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30th June	
Note	2017	2016	
	HK\$'000	HK\$'000	
Revenue	5	208,872	177,152
Cost of sales		(49,817)	(45,429)
Gross profit		159,055	131,723
Other gains/(losses) – net	6	35,430	(110,946)
Selling, general and administrative expenses		(155,819)	(109,734)
Operating profit/(loss)	5 and 7	38,666	(88,957)
Finance income	8	14,431	9,245
Finance costs	8	(9,529)	(7,662)
Finance income – net	8	4,902	1,583
Share of results of			
– Associated companies		–	(1,523)
– Joint ventures		3,783	4,720
Profit/(loss) before taxation		47,351	(84,177)
Taxation	10	(20,893)	(11,295)
Profit/(loss) for the period		26,458	(95,472)
Attributable to:			
Shareholders of the Company		24,155	(96,822)
Non-controlling interests		2,303	1,350
		26,458	(95,472)
Earnings/(losses) per share attributable to shareholders of the Company			
– Basic	11	HK1.70 cents	HK(6.83) cents
– Diluted	11	HK1.70 cents	HK(6.83) cents

The notes on pages 17 to 35 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	26,458	(95,472)
Other comprehensive income/(loss)		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value (loss)/gain on available-for-sale financial assets	(27,773)	11,268
– Exchange reserve realised upon disposal of a joint venture	(3,373)	–
– Currency translation differences	44,455	(17,439)
– Reserves realised upon disposal of an associated company	–	(157,843)
– Share of post-acquisition reserves of an associated company	–	(53,463)
Other comprehensive income/(loss) for the period, net of tax	13,309	(217,477)
Total comprehensive income/(loss) for the period	39,767	(312,949)
Attributable to:		
Shareholders of the Company	35,330	(312,668)
Non-controlling interests	4,437	(281)
	39,767	(312,949)

The notes on pages 17 to 35 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
	Note		
Non-current assets			
Intangible assets	13	2,126	2,126
Property, plant and equipment	13	428,659	383,519
Investment properties	13	538,581	481,441
Leasehold land and land use rights	13	45,599	45,733
Investments in joint ventures		205,832	239,323
Deposits		35,491	–
Deferred tax assets		5,773	6,843
Available-for-sale financial assets		227,483	255,256
Loans and advances		3,562	4,575
Total non-current assets		1,493,106	1,418,816
Current assets			
Inventories	14	589,129	587,830
Loans and advances		1,228,726	1,314,308
Trade receivables	15	593,954	211,100
Other receivables, prepayments and deposits		65,949	47,224
Tax recoverable		10,740	12,039
Financial assets at fair value through profit or loss		32,373	19,564
Deposits with banks		25,959	23,947
Client trust bank balances		2,720,604	3,050,357
Cash and cash equivalents		273,572	275,453
Total current assets		5,541,006	5,541,822
Current liabilities			
Trade and other payables	16	3,570,196	3,537,436
Tax payable		33,741	27,606
Borrowings	17	333,250	346,175
Total current liabilities		3,937,187	3,911,217
Net current assets		1,603,819	1,630,605

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Total assets less current liabilities		3,096,925	3,049,421
Non-current liabilities			
Deferred tax liabilities		69,206	56,026
Borrowings	17	209,119	213,525
Total non-current liabilities		278,325	269,551
Net assets		2,818,600	2,779,870
Equity			
Share capital	18	1,162,940	1,162,940
Reserves		1,583,834	1,548,504
Capital and reserves attributable to the Company's shareholders		2,746,774	2,711,444
Non-controlling interests		71,826	68,426
Total equity		2,818,600	2,779,870

The notes on pages 17 to 35 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities		
Net cash inflow/(outflow) from operating activities	22,144	(296,939)
Overseas taxation paid	(2,080)	(1,103)
Net cash generated from/(used in) operating activities	20,064	(298,042)
Cash flows from investing activities		
Interest received	11,326	9,173
Purchase of property, plant and equipment	(27,628)	(3,210)
Deposit paid for property, plant and equipment	(21,359)	-
Proceeds from disposal of property, plant and equipment	118	20
Proceeds from disposal of investment properties	8,465	2,867
Proceeds from disposal of an associated company	-	104,287
Proceeds from disposal of a joint venture	35,151	-
Dividends received from a joint venture	5,632	9,397
(Increase)/decrease in deposits with banks	(2,012)	56
Net cash generated from investing activities	9,693	122,590
Cash flows from financing activities		
Interest paid	(9,529)	(9,120)
Proceeds from borrowings	320,000	580,506
Repayments of borrowings	(343,826)	(299,546)
Dividend paid	-	(14,190)
Dividend paid to non-controlling interests	(1,037)	(2,193)
Issue of new shares on exercise of share options	-	3,740
Net cash (used in)/generated from financing activities	(34,392)	259,197
Net (decrease)/increase in cash and cash equivalents	(4,635)	83,745
Cash and cash equivalents at 1st January	274,929	176,589
Exchange differences	3,278	(2,218)
Cash and cash equivalents at 30th June	273,572	258,116

The notes on pages 17 to 35 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Unaudited								
	Attributable to shareholders of the Company							Non-controlling interests	Total
	Share capital HK\$'000	Employee share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	HK\$'000	HK\$'000
At 1st January 2016	1,157,658	35,925	367,874	12,334	231,355	60,984	1,220,165	81,485	3,167,780
Loss for the period	-	-	-	-	-	-	(96,822)	1,350	(95,472)
Other comprehensive loss	-	-	(330,003)	-	11,268	(14,757)	117,646	(1,631)	(217,477)
Total comprehensive loss for the period ended 30th June 2016	-	-	(330,003)	-	11,268	(14,757)	20,824	(281)	(312,949)
Issue of new shares on exercise of share options	5,282	(1,542)	-	-	-	-	-	-	3,740
Dividend paid	-	-	-	-	-	-	(14,190)	(2,193)	(16,383)
	5,282	(1,542)	-	-	-	-	(14,190)	(2,193)	(12,643)
At 30th June 2016	1,162,940	34,383	37,871	12,334	242,623	46,227	1,226,799	79,011	2,842,188

The notes on pages 17 to 35 form an integral part of this condensed consolidated financial information.

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

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

This unaudited condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated.

The financial information relating to the year ended 31st December 2016 that is included in the condensed consolidated financial information for the six months ended 30th June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company’s auditor has reported on these consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 25th August 2017.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, 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 2016, as described in those annual financial statements.

- (a) There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.
- (b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

3. ACCOUNTING POLICIES (CONTINUED)

- (c) The following Standards, amendments and interpretations to existing Standards have been issued but are not effective for financial year beginning 1st January 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
• HKAS 28 and HKFRS 10 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;	A date to be determined by the IASB*
• HKAS 28 (Amendments)	Investments in Associates and Joint Ventures;	1st January 2018
• HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions;	1st January 2018
• HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts;	1st January 2018
• HKFRS 9	Financial Instruments;	1st January 2018
• HKFRS 15	Revenue from Contracts with Customers;	1st January 2018
• HKFRS 15 (Amendments)	Clarifications to HKFRS 15;	1st January 2018
• HKFRS 16	Leases;	1st January 2019
• HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration; and	1st January 2018
• HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019

* IASB refers to International Accounting Standards Board

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

4. ESTIMATES

The preparation of unaudited condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2016.

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

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

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

The unaudited segment results of the Group for the six months ended 30th June 2016 are as follows:

	Unaudited				HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	112,831	5,408	56,244	2,669	177,152
Segment results	48,936	(2,774)	7,253	(122,197)	(68,782)
Unallocated net operating expenses					(20,175)
Operating loss					(88,957)
Finance income – net					1,583
Share of results of					
– Associated company	-	-	-	(1,523)	(1,523)
– Joint ventures	-	-	4,468	252	4,720
Loss before taxation					(84,177)

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

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment assets of the Group as at 30th June 2017 are as follows:

	Unaudited				
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,743,643	696,568	1,060,682	290,095	6,790,988
Investment in a joint venture	-	-	205,832	-	205,832
Tax recoverable					10,740
Deferred tax assets					5,773
Corporate assets					20,779
Total assets					7,034,112

The audited segment assets of the Group as at 31st December 2016 are as follows:

	Audited				
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,723,238	647,715	964,733	278,234	6,613,920
Investments in joint ventures	-	-	201,215	38,108	239,323
Tax recoverable					12,039
Deferred tax assets					6,843
Corporate assets					88,513
Total assets					6,960,638

6. OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Gain on disposal of a joint venture	354	–
Gain on disposal of investment properties	775	113
Fair value gains on investment properties	27,532	7,208
Net foreign exchange gain/(loss)	6,769	(367)
Loss on disposal of an associated company	–	(117,900)
	35,430	(110,946)

7. OPERATING PROFIT/(LOSS)

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

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Charging:		
Depreciation	6,557	7,653
Amortisation of leasehold land and land use rights	775	813
Staff costs (<i>Note 9</i>)	92,309	85,382

8. FINANCE INCOME – NET

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Finance income – interest income	14,431	9,245
Finance costs		
– Interest on loans and overdrafts	(9,529)	(9,142)
– Less: amounts capitalised as qualifying assets	–	1,480
Total finance costs	(9,529)	(7,662)
Finance income – net	4,902	1,583

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Wages, salaries and allowances	82,297	75,330
Retirement benefit costs	5,265	5,621
Other employee benefits	4,747	4,431
	92,309	85,382

10. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	7,147	6,685
Overseas profits tax		
– Current	1,477	1,043
– Under-provision in previous years	2	34
Land appreciation tax	348	335
Deferred taxation	11,919	3,198
	20,893	11,295

11. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of approximately HK\$24,155,000 (2016: Group's losses attributable to shareholders of approximately HK\$96,822,000). The basic earnings/(losses) per share is based on the weighted average number of 1,418,973,012 (2016: 1,417,250,484) shares in issue during the period.

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

For the six months ended 30th June 2016, diluted losses per share is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

12. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2017 (2016: Nil).

13. CAPITAL EXPENDITURE

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

	Unaudited			
	Intangible assets	Property, plant and equipment	Investment properties	Leasehold land and land use rights
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value at 1st January 2016	2,126	376,811	470,459	48,922
Additions	–	3,210	–	–
Transfer from inventories	–	–	9,731	–
Fair value gains	–	–	7,208	–
Disposals	–	(40)	(2,754)	–
Depreciation and amortisation (Note 7)	–	(7,653)	–	(813)
Exchange differences	–	(1,138)	(7,999)	(501)
Net book value at 30th June 2016	2,126	371,190	476,645	47,608

14. INVENTORIES

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Properties under development	273,830	253,490
Properties held for sale	314,253	333,463
Other inventories	1,046	877
	589,129	587,830

15. TRADE RECEIVABLES

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Due from stockbrokers and clearing houses	523,026	166,603
Due from stockbroking clients	62,472	30,806
Trade receivables	23,584	28,251
	609,082	225,660
Provision for impairment	(15,128)	(14,560)
	593,954	211,100

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

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

15. TRADE RECEIVABLES (CONTINUED)

At 30th June 2017 and 31st December 2016, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
0 – 30 days	591,642	209,481
31 – 60 days	383	1,140
61 – 90 days	1,365	441
Over 90 days	564	38
	593,954	211,100

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Due to stockbrokers and dealers	54,052	12,003
Due to stockbroking clients	3,180,480	3,239,624
Trade payables	151,572	140,774
Total trade payables	3,386,104	3,392,401
Advance receipts from customers	20,721	16,104
Accruals and other payables	163,371	128,931
	3,570,196	3,537,436

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

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK\$2,720,604,000 (31st December 2016: HK\$3,050,357,000).

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

16. TRADE AND OTHER PAYABLES (CONTINUED)

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

At 30th June 2017 and 31st December 2016, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
0 – 30 days	136,639	124,771
31 – 60 days	1,554	3,385
61 – 90 days	1,256	1,924
Over 90 days	12,123	10,694
	151,572	140,774

17. BORROWINGS

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Bank loans – secured		
Non-current	209,119	213,525
Current	333,250	345,651
	542,369	559,176
Bank overdrafts – unsecured	–	524
	542,369	559,700

As at 30th June 2017, the Group has pledged properties, investment properties, leasehold land and land use rights and properties held for sale with an aggregate net carrying value of approximately HK\$703 million (31st December 2016: HK\$676 million) and fixed deposits of approximately HK\$15 million (31st December 2016: HK\$15 million) to secure bank borrowings.

17. BORROWINGS (CONTINUED)

As at 30th June 2017, bank borrowings of HK\$320 million (31st December 2016: HK\$330 million) were secured by certain listed securities pledged by the customers to the Group as margin loan collateral which had an aggregate fair value amounting to HK\$1,345 million (31st December 2016: HK\$1,316 million).

Bank borrowings are either repayable on demand or will mature and be repayable in July 2017 to February 2026 and bear floating interest rates. The weighted average effective interest rate at 30th June 2017 was 3.08% (31st December 2016: 3.23%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$320 million (31st December 2016: HK\$330 million) and HK\$222 million (31st December 2016: HK\$229 million) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2017		Audited 31st December 2016	
	Number of shares'000	HK\$'000	Number of shares'000	HK\$'000
Ordinary shares, issued and fully paid:				
At 1st January 2017 and 2016	1,418,973	1,162,940	1,413,473	1,157,658
Exercise of share options (Note)	–	–	5,500	5,282
At 30th June 2017 and 31st December 2016	1,418,973	1,162,940	1,418,973	1,162,940

Note:

During the period, no share options were exercised under the Employee Option Scheme adopted by the Company on 24th May 2002 (the "Scheme"). During the year ended 31st December 2016, 5,500,000 new shares were issued upon exercise of options under the Scheme at exercise price HK\$0.68 per share. These shares rank *pari passu* in all respects with the existing shares of the Company. The related weighted average share price at the time of exercise was HK\$1.10 per share.

19. COMMITMENTS

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

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Contracted but not provided for	566,063	504,488

(b) *Commitments under operating leases*

The future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Not later than one year	19,678	18,501
Later than one year but not later than five years	25,608	27,971
More than five years	–	93
	45,286	46,565

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

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Not later than one year	53,511	9,117
Later than one year but not later than five years	169,963	11,639
More than five years	–	40
	223,474	20,796

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (<i>Note</i>)	4,632	2,046

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

21. RELATED PARTY TRANSACTIONS

- (a) The key management compensation is disclosed as follows:

	Unaudited Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Fees	810	810
Salaries and other employee benefits	4,499	4,388
Retirement benefit costs	382	372
	5,691	5,570

- (b) As at 30th June 2017, an amount of HK\$6,536,000 (31st December 2016: HK\$2,990,000) due to a joint venture is denominated in Renminbi, unsecured, interest-free and repayable on demand.

22. FINANCIAL RISK MANAGEMENT

22.1 *Financial risk factors*

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

This unaudited condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2016.

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

22.2 *Fair value estimation*

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

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

22. FINANCIAL RISK MANAGEMENT (CONTINUED)*22.2 Fair value estimation (continued)*

The following table presents the unaudited financial assets that are measured at fair value at 30th June 2017.

	Unaudited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	32,373	–	32,373
Available-for-sale financial assets			
– unlisted securities	–	227,483	227,483
	32,373	227,483	259,856

The following table presents the audited financial assets that are measured at fair value at 31st December 2016.

	Audited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	19,564	–	19,564
Available-for-sale financial assets			
– unlisted securities	–	255,256	255,256
	19,564	255,256	274,820

For the six months ended 30th June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the financial assets.

For the six months ended 30th June 2017, there were no reclassifications of financial assets.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.3 *Group's valuation processes*

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

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

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

DISCLOSURE OF INTERESTS

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

As at 30th June 2017, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Interests in respect of the Company:

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Mr. LO Yuen Yat (Note)	Long position	97,045,636	72,952,000	169,997,636	11.98%
Mr. YEUNG Wai Kin	Long position	11,872,304	-	11,872,304	0.84%
Mr. ZHOU Xiaohe	Long position	160,000	-	160,000	0.01%

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

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

Saved as disclosed above, as at 30th June 2017, none of the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO.

SHARE OPTIONS

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

Movement of share options during the six months ended 30th June 2017 is as follows:

	Options held at 1st January 2017	Options lapsed during the period	Options held at 30th June 2017	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:							
Mr. LO Yuen Yat	11,944,000	(11,944,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. XIN Shulin	8,032,000	(8,032,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YEUNG Wai Kin	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, S.B.S., J.P.	1,000,000	(1,000,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. WOO Chia-Wei	1,000,000	(1,000,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. LIU Ji	500,000	(500,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	1,000,000	(1,000,000)	-	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	31,508,000	(31,508,000)	-				

Notes:

- (a) During the period, 31,508,000 share options were lapsed under the 2002 Scheme. No share options were granted or exercised under the 2002 Scheme and the 2014 Scheme during the six months ended 30th June 2017.
- (b) No share options granted under the 2002 Scheme were cancelled during the six months ended 30th June 2017.
- (c) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2016.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2017, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Corporate interests	Other interests	Total	% of issued share capital of the Company
China Assets (Holdings) Limited ("China Assets") (Note 1)	Long position	-	-	247,674,500	-	247,674,500	17.45%
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note 2 & 3)	Long position	56,008,000	12,432,000	5,568,000	63,640,000	137,648,000	9.70%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note 2 & 3)	Long position	12,432,000	56,008,000	5,568,000	63,640,000	137,648,000	9.70%

Notes:

- (1) *China Assets is a Hong Kong listed company.*
- (2) *5,568,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.*
- (3) *63,640,000 shares are held by The Golden Bridge Settlement, a trust with Ms. Chan and Mr. Yin as beneficiaries.*

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2017 (2016: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to assist the Board to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The Remuneration Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Remuneration Committee was set up to assist the Board to establish a coherent remuneration policy and to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohu. The Audit Committee was set up to ensure proper financial reporting, risk management and internal control systems are in place and follow.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters, including a review of the unaudited consolidated interim results for the six months ended 30th June 2017 for approval by the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2017.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 25th August 2017