



First Shanghai Investments Limited

Stock Code: 227



2022 | INTERIM
REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin

Mr. YEUNG Wai Kin

Ms. LAO Yuanyuan

Non-executive Director

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

Independent Non-executive Directors

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. YU Qihao

Mr. ZHOU Xiaohe

NOMINATION COMMITTEE

Prof. WOO Chia-Wei (*Chairman*)

Mr. LO Yuen Yat

Mr. YU Qihao

Mr. ZHOU Xiaohe

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohe (*Chairman*)

Mr. LO Yuen Yat

Prof. WOO Chia-Wei

Mr. YU Qihao

AUDIT COMMITTEE

Mr. YU Qihao (*Chairman*)

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

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. ZHOU Xiaohe

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.,
Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank Corporation,
Hong Kong Branch

Dah Sing Bank, Limited

OCBC Wing Hang Bank Limited

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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Services Limited

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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”) submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2022 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

Since the outbreak of COVID-19 in early 2020, the global economy has been significantly impacted. During the reporting period, the global economy faces continued volatility and uncertainty, with inflationary pressures and geopolitical tensions being the major challenges. Recession fears grew as a result of unsatisfactory economic data announced during the reporting period. Global supply chain disruptions together with the prolonged Russia-Ukraine conflict leads to significant inflation pressure. In 2022, the US Federal Reserve exited its asset purchase programme and raised its benchmark rate to combat high inflation rate. Mixed fiscal and monetary policy of various countries leads to increase in currency volatility and capital flow. Following the interest rate hikes and balance sheet reductions by major central banks, global equity and debt capital market have seen significant turbulence.

The economic and business environment in Mainland China during the first half of 2022 was challenging as the mainland strived to maintain its dynamic zero-COVID status. Continuous lockdowns, especially in major cities, so as to stamp out outbreaks of the highly transmissible Omicron COVID-19 variant put business activities to a halt. The business activities in Hong Kong was seriously affected by the fifth wave of infection. In addition, investor sentiment was exacerbated by the delisting risk of some Mainland American depositary receipts (ADRs) in the US and concerns over the credit and liquidity risk from the Chinese property sector. The pace of the Mainland’s economic recovery slowdown with GDP growth rate reduced notably, while the local economy in Hong Kong shrank significantly during this strict quarantine and restrictive infection control period.

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 and Property and Hotel Sector.

The Hong Kong stock market continued the downward trends from 2021. Market sentiment is pessimistic with the massive resurgence of COVID-19 pandemic, the continuous Sino-US trade tension and the pressured inflation at levels unseen in recent years. In 2022, following a double-click attack from the geographical tensions and the local fifth wave of COVID-19 pandemic, the Hong Kong financial market fell amid the global market correction, with Hang Seng Index declined by 6.6%. The performance of our Financial Services Sector was significantly affected by the slowdown of Hong Kong securities market activities and investors' growing risk aversion. The commission and fee income, as well as the margin loan interest income of the Group dropped during the reporting period. Hindered by delay in large scale corporate activities, results from underwriting and corporate finance businesses were unsatisfactory as well.

Our property and hotel business in Mainland China was inevitably affected by the rolling citywide lockdowns and travel curbs. On the other hand, the golf and hotel businesses in Paris is gradually recovering since the first quarter of 2022. Following general concerns on credit and liquidity risk and high stock level of certain large property developers, the Chinese property market also witnessed high volatility during the reporting period. Revenue from sales of property in Huangshan decreased with drop in sales volume. However, overall loss from our Property and Hotel Sector decreased when comparing with 2021 due to the reduction on fair value losses on our investment properties.

Our Medical and Healthcare Sector continued to be affected by the COVID-19 pandemic in 2022, especially during the fifth wave of the pandemic. Prolonged unsatisfactory operating result over the past few years and the proposed increase in rent by the landlord of our medical centre has exerted much pressure on the cash flow position and performance of the Group. After careful consideration under the current difficult operating environment, the management has come up with the decision to terminate the operation of the medical centre in April so as to focus the Group's resources on profitable business segments. We had sold most of the assets in the medical centre to various medical and healthcare service providers in Hong Kong. The Group will maintain the investment in a child dental centre as a long term investment.

For the six months ended 30th June 2022, the Group reported a net loss and basic losses per share attributable to shareholders of approximately HK\$33 million and HK2.12 cents respectively, as compared to a net loss and basic losses per share attributable to shareholders of approximately HK\$32 million and HK2.25 cents respectively reported from the corresponding period of 2021.



PROSPECTS

Looking ahead, with gradual relaxation on quarantine restrictions, we can see some positive momentum to the economic recovery. Major economies worldwide gradually returned to pre-COVID-19 pandemic economic activity levels, and the global economy anticipated to improve slightly in the beginning of the second half of 2022. However, prospects remain uncertain with the unsolved Russia-Ukraine conflicts and the Sino-US tensions. Inflationary pressure, disruption on global supply chain and worries on declining economic growth are expected to continue to hinder the global economy. In Chinese Mainland, we expect looser monetary policy and stronger fiscal stimulus measures will come into play as COVID restrictions ease in the coming months. We are cautiously confident for gradual improvement to the current market situation and business environment.

Financial market will continue to be volatile due to the pandemic, geopolitical uncertainties, the intensifying inflation and gradual interest rate hikes. We will maintain a cautious and proactive approach regarding the risk and credit control of our operation and business development. COVID-19 pandemic has accelerated a wave of digital transformation across various business operations. Moving forward, the Group will allocate more resources to drive the digitalization and automation process of our financial services to further enhance our customer experience and operating efficiency. We shall also pursue to widen our product scope and customer base to cope with market demands and continue to actively reinforce market knowledge and listen to the needs of our customers so as to seize business opportunity in a timely manner under the rapidly changing environment.

It is undeniable that the global economy faces its challenges due to the COVID-19 pandemic and geopolitical tensions. Looking forward, we will stay vigilant of the uncertainties on the road to recovery ahead with disciplined cost control and prudent risk management measures. The Group will further continue to adopt diversified strategies so as to grasp all valuable business opportunities for the Group to advance its business model and to grow in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2022, the Group reported a net loss attributable to shareholders of approximately HK\$33 million, representing an increase of 4% as compared to the net loss approximately HK\$32 million reported from the corresponding period of 2021. This result was attributable to the decrease in brokerage income and margin loan interest income from Financial Services Sector due to the significant decline in business activities during the fifth wave of COVID-19 pandemic. Furthermore, property and hotel business in Chinese Mainland was dampened because of the rolling citywide lockdowns and travel curbs during the pandemic, and the concern on the liquidity problems of various major property developers. Our medical and healthcare business in Hong Kong was adversely affected during the fifth wave of COVID-19 infection and the execution of the business scale down plan. The overall result was partially offset by the accounting gain on disposal of fixed assets of the medical and healthcare business, which had been materially impaired in previous years. The basic losses per share attributable to the shareholders of the Company was HK2.12 cents. Revenue of the Group was approximately HK\$175 million, representing a decrease of 32% over the corresponding period of 2021, tracking to decline of revenue from securities brokerage income, margin loan interest income, medical and healthcare business and the drop of sales on properties. Total net assets of the Group reported a decrease by 4% to approximately HK\$2,449 million when compared with approximately HK\$2,559 million as at 31st December 2021.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities brokerage, margin financing, corporate finance, underwriting and placements, asset management and wealth management. For the first half of 2022, the operating profit reported from Financial Services Sector decreased by 65% when compared with the corresponding period in 2021. This was mainly attributable to the decline of brokerage income and margin and IPO loan interest income.



Hang Seng Index dropped from this year high to 25,050 in February 2022, and closed at 21,860. In the first half of 2022, the average daily market turnover decreased by 17% from approximately HK\$167 billion to approximately HK\$138 billion. On the other hand, market competition has intensified during the period with aggressive promotion campaigns launched by some brokers. During the reporting period, our brokerage business, tracking the market trend, reported a decrease in commission income by 48% and decrease in IPO and margin loan interest income by 38%. Nevertheless, we managed to complete one large underwriting transaction in the second quarter of 2022. Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2022, despite the adverse market sentiment, we have completed four financial advisory cases while two IPO cases were under processing. Income from advisory services increased by 8% as compared with the corresponding period in 2021.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland. They include residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2022, operating loss of HK\$26 million was reported from Property and Hotel Sector, decreased by 28% when compared with the corresponding period in 2021. This improvement was mainly attributable to the reduction on record of fair value losses on investment properties held in Wuxi and Huangshan during the reporting period.

For the six months ended 30th June 2022, operating revenue from property development operations dropped by 56% as compared with the corresponding period in 2021 tracking to slow down of properties sales in Huangshan.

For the six months ended 30th June 2022, operating revenue from property investment and management operations reported raised by 11% as compared with the corresponding period in 2021 with continuous increase in rental occupancy rate since the second half of 2021. For investment properties held by the Group, valuation loss dropped by 77% from HK\$25 million to HK\$6 million.

For the six months ended 30th June 2022, revenue from hotel and golf operations recorded an increase of 16% as compared with the corresponding period in 2021. After easing of infection control measures in France, hotel and golf business in Paris was slightly recovered after the resumption of economic activities.

Medical and Healthcare

The Group terminated the medical and healthcare business and closed the medical centre in Central in April 2022. For the six months ended 30th June 2022, the revenue from medical centre recorded a decrease of 52% as compared with the corresponding period in 2021. This unsatisfactory performance was mainly attributable to the fifth wave of infection and the business scale down plan.

For the six months ended 30th June 2022, operating loss of HK\$13 million was reported from Medical and Healthcare Sector, decreased by 66% as compared with the corresponding period in 2021. The deduction of loss was mainly caused by the accounting gain on disposal of fixed assets of the medical centre, which had been materially impaired in previous years.

Direct Investment

For the reporting period, Direct Investment Sector recorded slight operation loss. Focusing our internal resources in the financial services business, there was no new direct investment launched in 2022.

Liquidity, financial resources and capital structure

The Group relied principally on its internal financial resources to fund its operations and investment activities. Bank and other loans will be raised to meet the different demands of our property projects, as well as margin financing and direct investment business. As at 30th June 2022, the Group had raised bank and other loans of approximately HK\$244 million (31st December 2021: HK\$311 million) and held approximately HK\$341 million (31st December 2021: HK\$340 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) decreased to 10.0% (31st December 2021: 12.2%).

During the reporting period, the Group completed an open offer for the issue of 13,716,014 new shares at the subscription price of HK\$0.21 per share. As at 30th June 2022, the total number of issued ordinary shares was 1,564,771,361 shares (31st December 2021: 1,551,055,347 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) and the Insurance (Financial and other Requirements for Licensed Insurance Broker Companies) Rules (Cap. 41 Sub. Leg. L). During the reporting period, all licensed corporations within the Group complied with their respective requirements.

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

Charges of assets of the Group

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\$619 million (31st December 2021: HK\$649 million) and fixed deposits of the Group of approximately HK\$15 million (31st December 2021: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounting to approximately HK\$208 million (31st December 2021: HK\$228 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 2022, total contingent liabilities relating to these guarantees amounted to approximately HK\$6 million (31st December 2021: HK\$2 million).

Material acquisitions and disposal

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

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 2022, the Group employed 556 (30th June 2021: 689) staff, of whom 321 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2022 amounted to approximately HK\$107 million (30th June 2021: HK\$126 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2022 HK\$'000	2021 HK\$'000
Revenue	5	175,337	259,146
Cost of sales		(76,399)	(106,846)
Gross profit		98,938	152,300
Other gains/(losses) – net	6	6,541	(14,870)
Selling, general and administrative expenses		(141,561)	(164,814)
Operating loss	5 and 7	(36,082)	(27,384)
Finance income	8	10,761	7,252
Finance costs	8	(6,653)	(18,893)
Finance income/(costs) – net	8	4,108	(11,641)
Loss before taxation		(31,974)	(39,025)
Taxation	10	(1,416)	7,987
Loss for the period		(33,390)	(31,038)
Attributable to:			
Shareholders of the Company		(33,237)	(31,954)
Non-controlling interests		(153)	916
		(33,390)	(31,038)
Losses per share attributable to shareholders of the Company			
– Basic	11	HK(2.12) cents	HK(2.25) cents
– Diluted	11	HK(2.12) cents	HK(2.25) cents

The notes on pages 16 to 32 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	(33,390)	(31,038)
Other comprehensive loss		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Exchange reserve realised upon disposal of a subsidiary	–	(2,345)
– Currency translation differences	(58,947)	(1,936)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(19,353)	2,316
Other comprehensive loss for the period, net of tax	(78,300)	(1,965)
Total comprehensive loss for the period	(111,690)	(33,003)
Attributable to:		
Shareholders of the Company	(108,266)	(34,857)
Non-controlling interests	(3,424)	1,854
	(111,690)	(33,003)

The notes on pages 16 to 32 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Non-current assets			
Intangible assets	13	2,126	2,126
Property, plant and equipment	13	493,213	564,406
Right-of-use assets	13	32,248	22,628
Investment properties	13	664,002	701,548
Leasehold land and land use rights	13	37,905	39,453
Properties under development	14	141,673	148,186
Deferred tax assets		2,632	1,672
Financial assets at fair value through other comprehensive income		52,997	72,350
Other non-current prepayments and deposits		707	1,061
Total non-current assets		1,427,503	1,553,430
Current assets			
Inventories	14	355,080	356,230
Loans and advances		1,111,492	1,077,086
Trade receivables	15	270,691	262,584
Other receivables, prepayments and deposits		71,047	76,126
Tax recoverable		7,110	7,515
Financial assets at fair value through profit or loss		32	31
Deposits with banks		4,677	12,231
Client trust bank balances		2,760,281	3,439,418
Cash and bank balances		336,240	328,223
Total current assets		4,916,650	5,559,444
Current liabilities			
Trade and other payables	16	3,490,575	4,086,649
Tax payable		52,209	53,562
Lease liabilities		13,504	9,911
Borrowings	17	159,226	207,741
Total current liabilities		3,715,514	4,357,863
Net current assets		1,201,136	1,201,581

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Total assets less current liabilities		2,628,639	2,755,011
Non-current liabilities			
Deferred tax liabilities		75,229	80,036
Lease liabilities		19,662	12,478
Borrowings	17	84,531	103,706
Other non-current liabilities		253	–
Total non-current liabilities		179,675	196,220
Net assets		2,448,964	2,558,791
Equity			
Share capital	18	1,199,345	1,197,482
Reserves		1,179,195	1,287,461
Capital and reserves attributable to the Company's shareholders		2,378,540	2,484,943
Non-controlling interests		70,424	73,848
Total equity		2,448,964	2,558,791

The notes on pages 16 to 32 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited	
		Six months ended 30th June	
Note		2022	2021
		HK\$'000	HK\$'000
Cash flows from operating activities			
	Net cash inflow/(outflow) from operating activities	26,762	(2,861,277)
	Overseas taxation paid	(2,520)	(7,660)
	Net cash generated from/(used in) operating activities	24,242	(2,868,937)
Cash flows from investing activities			
	Interest received	9,195	6,827
	Purchase of property, plant and equipment	(1,712)	(5,159)
	(Increase)/decrease in deposit paid for property, plant and equipment	(497)	43
	Proceeds from disposal of property, plant and equipment	38,569	761
	Proceeds from disposal of investment properties	9,598	1,501
	Net proceeds from disposal of a subsidiary	-	8
	Decrease/(increase) in deposits with banks	7,224	(23,859)
	Net cash generated from/(used in) investing activities	62,377	(19,878)
Cash flows from financing activities			
	Interest paid	(6,097)	(14,165)
	Proceeds from issue of shares	1,863	-
	Proceeds from borrowings	-	2,970,721
	Repayments of borrowings	(62,616)	(165,430)
	Payment for lease liabilities	(6,644)	(26,603)
	Net cash (used in)/generated from financing activities	(73,494)	2,764,523
Net increase/(decrease) in cash and cash equivalents			
		13,125	(124,292)
	Cash and cash equivalents at 1st January	328,223	317,070
	Exchange differences	(5,108)	1,270
Cash and cash equivalents at 30th June		336,240	194,048

The notes on pages 16 to 32 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Non-controlling interests	Total
	Attributable to shareholders of the Company								
	Share capital HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve		Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000		
				HK\$'000	HK\$'000				
At 1st January 2022	1,197,482	38,426	12,334	11,944	57,323	1,167,434	73,848	2,558,791	
Loss for the period	-	-	-	-	-	(33,237)	(153)	(33,390)	
Other comprehensive loss	-	-	-	(19,353)	(55,676)	-	(3,271)	(78,300)	
Total comprehensive loss for the period ended 30th June 2022	-	-	-	(19,353)	(55,676)	(33,237)	(3,424)	(111,690)	
Issue of new shares (Note 18)	1,863	-	-	-	-	-	-	1,863	
At 30th June 2022	1,199,345	38,426	12,334	(7,409)	1,647	1,134,197	70,424	2,448,964	

	Unaudited							Non-controlling interests	Total
	Attributable to shareholders of the Company								
	Share capital HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at fair value through other comprehensive income reserve		Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000		
				HK\$'000	HK\$'000				
At 1st January 2021	1,162,940	38,912	12,334	18,917	65,947	1,306,847	81,731	2,687,628	
Loss for the period	-	-	-	-	-	(31,954)	916	(31,038)	
Other comprehensive loss	-	(620)	-	2,316	(5,219)	620	938	(1,965)	
Total comprehensive loss for the period ended 30th June 2021	-	(620)	-	2,316	(5,219)	(31,334)	1,854	(33,003)	
At 30th June 2021	1,162,940	38,292	12,334	21,233	60,728	1,275,513	83,585	2,654,625	

The notes on pages 16 to 32 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 operations, medical and healthcare services, direct investment, investment holding and management.

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

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

The financial information relating to the year ended 31st December 2021 that is included in the condensed consolidated financial information for the six months ended 30th June 2022 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 2021 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 those 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 26th August 2022.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2022 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 2021, 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 2021, 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.

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 2021.

5. SEGMENT INFORMATION

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

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

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

5. SEGMENT INFORMATION (CONTINUED)

The Board assesses the performance of the operating segments based on a measure of segment results.

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

The unaudited segment results of the Group for the six months ended 30th June 2022 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Interest revenue calculated using effective interest method	31,613	-	-	-	-	31,613
Timing of recognition:						
- At a point in time	58,539	7,362	20,835	10,513	-	97,249
- Over time	3,384	-	40,538	-	2,553	46,475
Revenue	93,536	7,362	61,373	10,513	2,553	175,337
Segment results	23,215	(8,271)	(17,917)	(13,344)	(1,293)	(17,610)
Unallocated net operating expenses						(18,472)
Operating loss						(36,082)
Finance income - net						4,108
Loss before taxation						(31,974)

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



5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results of the Group for the six months ended 30th June 2021 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Interest revenue calculated using effective interest method	51,028	-	-	-	-	51,028
Timing of recognition:						
- At a point in time	105,081	16,644	15,447	22,080	-	159,252
- Over time	6,770	-	40,000	-	2,096	48,866
Revenue	162,879	16,644	55,447	22,080	2,096	259,146
Segment results	66,940	(2,467)	(33,801)	(39,181)	1,590	(6,919)
Unallocated net operating expenses						(20,465)
Operating loss						(27,384)
Finance costs – net						(11,641)
Loss before taxation						(39,025)

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

The unaudited segment assets of the Group as at 30th June 2022 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Segment assets	4,398,064	580,899	1,220,817	30,455	81,972	6,312,207
Tax recoverable						7,110
Deferred tax assets						2,632
Corporate assets						22,204
Total assets						6,344,153

5. SEGMENT INFORMATION (CONTINUED)

The audited segment assets of the Group as at 31st December 2021 are as follows:

	Audited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Segment assets	4,988,320	583,057	1,311,337	56,986	122,706	7,062,406
Tax recoverable						7,515
Deferred tax assets						1,672
Corporate assets						41,281
Total assets						7,112,874

6. OTHER GAINS/(LOSSES) - NET

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
(Loss)/gain on disposal of investment properties	(64)	27
Gain on disposal of a subsidiary	-	2,356
Fair value losses on investment properties	(5,564)	(24,572)
Gain on disposal of property, plant and equipment	12,479	704
Net foreign exchange (loss)/gain	(310)	6,615
	6,541	(14,870)

7. OPERATING LOSS

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

	Unaudited Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Depreciation	23,008	45,102
Amortisation of leasehold land and land use rights	819	816
Net losses on impairment of financial assets	1,200	244
Staff costs (Note 9)	106,813	125,846



8. FINANCE INCOME/(COSTS) - NET

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Finance income		
– Interest income	10,761	6,837
– Interest income from lease assets	–	415
Total finance income	10,761	7,252
Finance costs		
– Interest on loans and overdrafts	(6,100)	(14,266)
– Interest expenses on lease liabilities	(553)	(4,627)
Total finance costs	(6,653)	(18,893)
Finance income/(costs) – net	4,108	(11,641)

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Wages, salaries and allowance	93,604	115,015
Retirement benefit costs	6,243	5,965
Other employee benefits	6,966	4,866
	106,813	125,846

10. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	74	3,504
– Under provision in previous years	376	–
Overseas profits tax		
– Current	875	3,404
– Under/(over) provision in previous years	523	(2)
Land appreciation tax	1,672	621
Deferred taxation	(2,104)	(15,514)
Taxation charge/(credit)	1,416	(7,987)

11. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of approximately HK\$33,237,000 (2021: HK\$31,954,000). The basic losses per share is based on the weighted average number of 1,564,316,686 (2021: 1,418,973,012) shares in issue during the period.

For the six months ended 30th June 2022 and 2021, diluted losses per share is the same as the basic losses per share as there were no dilutive potential ordinary shares in issue during the period.

12. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2022 (2021: Nil).



13. CAPITAL EXPENDITURE

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2022	2,126	564,406	22,628	701,548	39,453
Additions	-	1,882	17,458	-	-
Transfer from inventories	-	-	-	1,219	-
Fair value losses	-	-	-	(5,564)	-
Disposals	-	(26,090)	-	(9,662)	-
Depreciation and amortisation (<i>Note 7</i>)	-	(15,759)	(7,249)	-	(819)
Exchange differences	-	(31,226)	(589)	(23,539)	(729)
Net book value at 30th June 2022	2,126	493,213	32,248	664,002	37,905

	Unaudited				
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Right-of-use assets HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2021	5,126	651,641	213,598	703,202	40,595
Additions	-	5,047	5,643	-	-
Transfer from inventories	-	-	-	3,319	-
Fair value losses	-	-	-	(24,572)	-
Disposals	-	(57)	-	(1,474)	-
Depreciation and amortisation (<i>Note 7</i>)	-	(22,398)	(22,704)	-	(816)
Exchange differences	-	(10,185)	(164)	6,268	206
Net book value at 30th June 2021	5,126	624,048	196,373	686,743	39,985

14. INVENTORIES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Properties under development (within normal operating cycle)	126,410	110,073
Properties held for sale	226,818	243,260
Other inventories	1,852	2,897
	355,080	356,230
Properties under development (beyond normal operating cycle)	141,673	148,186

15. TRADE RECEIVABLES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Due from stockbrokers and clearing houses	148,921	116,808
Due from stockbroking clients	116,995	138,824
Trade receivables – others	19,989	23,237
	285,905	278,869
Loss allowance	(15,214)	(16,285)
	270,691	262,584

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.



15. TRADE RECEIVABLES (CONTINUED)

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

At 30th June 2022 and 31st December 2021, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
0 – 30 days	268,528	258,531
31 – 60 days	869	2,014
61 – 90 days	624	550
Over 90 days	670	1,489
	270,691	262,584

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Due to stockbrokers and dealers	164,886	8,096
Due to stockbroking clients and clearing houses	2,948,995	3,659,629
Trade payables	164,718	175,446
Total trade payables	3,278,599	3,843,171
Contract liabilities	48,734	42,907
Accruals and other payables	163,242	200,571
	3,490,575	4,086,649

16. TRADE AND OTHER PAYABLES (CONTINUED)

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\$2,760,281,000 (31st December 2021: HK\$3,439,418,000).

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

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

At 30th June 2022 and 31st December 2021, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
0 – 30 days	85,354	88,787
31 – 60 days	993	2,973
61 – 90 days	532	1,486
Over 90 days	77,839	82,200
	164,718	175,446



17. BORROWINGS

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Non-current		
Bank loans – secured	84,531	103,706
Current		
Bank loans – secured	123,847	172,115
Other loans – unsecured	35,379	35,626
	159,226	207,741
	243,757	311,447

As at 30th June 2022, 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\$619 million (31st December 2021: HK\$649 million) and fixed deposits of approximately HK\$15 million (31st December 2021: HK\$15 million) to secure bank borrowings.

As at 30th June 2022, no bank borrowing was secured by certain listed securities pledged by the customers to the Group as margin and IPO loans collateral (31st December 2021: bank borrowings of HK\$48,000,000 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\$365,923,000).

Bank borrowings are either repayable on demand or will mature and be repayable in July 2022 to June 2029 and bear floating interest rates. The weighted average effective interest rate at 30th June 2022 was 3.67% (31st December 2021: 3.10%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$148,000,000 (31st December 2021: HK\$196,000,000) and HK\$95,757,000 (31st December 2021: HK\$115,447,000) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2022		Audited 31st December 2021	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At beginning of the period	1,551,055	1,197,482	1,418,973	1,162,940
Issue of shares (<i>Note</i>)	13,716	1,863	132,082	34,542
At end of the period	1,564,771	1,199,345	1,551,055	1,197,482

Note:

On 7th January 2022, the Company completed an open offer on the basis of one new share of the Company for every eleven existing shares of the Company held on 15th December 2021 at a subscription price of HK\$0.21 per share and issued 13,716,014 new shares.

The transaction costs in relation to issue of shares of approximately HK\$1,017,000 was debited to equity under share premium account during the period ended 30th June 2022.

19. COMMITMENTS

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

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Contracted but not provided for	387,939	418,596



19. COMMITMENTS (CONTINUED)

(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 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Not later than one year	18,880	20,772
Later than one year but not later than five years	15,673	12,062
More than five years	7,181	583
	41,734	33,417

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (i))	6,348	2,298

Notes:

- (i) 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.

20. CONTINGENT LIABILITIES (CONTINUED)*Notes: (continued)*

- (ii) During the period ended 30th June 2022, the Group was involved in a litigation for which the claimant demanded the Group for settlement of certain construction costs payable which had been fully accounted for by the Group in prior years. In addition, the claimant also demanded for certain penalty charges and related legal costs. Taking into account the latest legal advice, a provision amounting to HK\$38 million was recognised in "other payable" as at 30th June 2022 (31st December 2021: HK\$37 million).

21. RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Fees	810	810
Salaries and other employee benefits	5,473	5,165
Retirement benefit costs	476	460
	6,759	6,435

- (b) As at 30th June 2022, loan from a related party of HK\$30,000,000 (31st December 2021: HK\$30,000,000) was interest bearing at 4% per annum, denominated in Hong Kong Dollars and repayable within 1 year. The relevant interest amount for the period amounted to HK\$595,000 (for the year ended 31st December 2021: HK\$424,000).

As at 30th June 2022, loan from a related party of HK\$5,379,000 (31st December 2021: HK\$5,626,000) was interest bearing at 7% per annum, denominated in Renminbi and repayable within 1 year. The relevant interest amount for the period amounted to HK\$194,000 (for the year ended 31st December 2021: HK\$388,000).



22. FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

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

This unaudited condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2021.

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).

The following table presents the unaudited financial assets that are measured at fair value at 30th June 2022.

	Unaudited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	32	–	32
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	52,997	52,997
	32	52,997	53,029

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

The following table presents the audited financial assets that are measured at fair value at 31st December 2021.

	Audited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	31	–	31
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	72,350	72,350
	31	72,350	72,381

For the six months ended 30th June 2022, there were no transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

22.3 Group's valuation processes

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

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

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



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 2022, 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 (<i>Note</i>)	Long position	115,217,218	408,667,763	523,884,981	33.48%
Mr. YEUNG Wai Kin	Long position	15,541,924	-	15,541,924	0.99%
Mr. ZHOU Xiaoh	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: 85,138,236 shares, 323,277,445 shares and 252,082 shares are held by Kinmoss Enterprises Limited ("Kinmoss"), China Assets (Holdings) Limited ("CAHL") and New Synergies Investments Company Limited ("New Synergies") respectively. Kinmoss is a company wholly owned by Mr. LO Yuen Yat. CAHL is a company 40% indirectly owned by Mr. LO Yuen Yat through New Synergies and New Synergies is a company with 40% equity interests directly owned by Mr. LO Yuen Yat.

Saved as disclosed above, as at 30th June 2022, none of the directors and chief executives (including their spouse and children under 18 years of age) had any interest in shares, underlying shares and debentures of the Company, its specified undertaking and its other associated corporation required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622).

SHARE OPTIONS

On 23rd May 2014, the shareholders of the Company approved a share option scheme (the "Scheme"). No share options were granted under the Scheme during the period. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the directors have the discretion to grant to employees and directors of any member of the Group to subscribe for shares in the Company. The Scheme will remain in force for a period of 10 years from the date of adoption.

DISCLOSURE OF INTERESTS

SHARE OPTIONS (CONTINUED)

No share options were granted, exercised, lapsed or outstanding under the Scheme during the six months ended 30th June 2022.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2022, the Company had been notified of the following substantial shareholder's interests, holding 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Ordinary shares in the Company:

		Personal interests	Family interests	Other interests	Total	% of issued share capital of the Company
Ms. CHAN Chiu, Joy ("Ms. Chan") (Note)	Long position	61,576,000	12,432,000	63,640,000	137,648,000	8.8%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note)	Long position	12,432,000	61,576,000	63,640,000	137,648,000	8.8%

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2022 (2021: 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 C.2.1 of the CG Code and the disclosure requirement according to code provision B.2.4 of the CG Code.

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision C.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.

According to code provision B.2.4 of the CG Code, where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should, among others, disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The Company failed to disclose in its circular dated 25th April 2022 (the “Circular”) the length of tenure of each existing independent non-executive director, except for those being proposed for re-election during the annual general meeting of the Company dated 27th May 2022. The Company then published a supplemental announcement to the Circular on 29th April 2022 to fulfil the relevant disclosure requirement.

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 Xiaohu 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 2022 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 2022.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 26th August 2022