



First Shanghai Investments Limited

Stock Code: 227

The background of the cover is a futuristic, abstract scene with a large, glowing blue sphere in the center. The sphere is surrounded by a hexagonal grid pattern that transitions from orange on the left to blue on the right. In the background, there is a modern building with a glass facade and a view of a landscape with trees and a body of water. In the bottom left corner, there is a smartphone displaying a financial chart and a document with the First Shanghai logo. In the bottom right corner, there is a pair of hands holding a small white object.

2023
INTERIM REPORT



FSC
www.fsc.org

MIX
Paper from
responsible sources
FSC® C120915

CONTENTS

	Page
Corporate Information	2
Management Commentary	3
Condensed Consolidated Income Statement	9
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Balance Sheet	11
Condensed Consolidated Statement of Cash Flows	13
Condensed Consolidated Statement of Changes in Equity	14
Notes to Condensed Consolidated Financial Information	15
Disclosure of Interests	35
Corporate Governance and Other Information	37



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

Mr. LI Zhiyun

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

Mr. LI Zhiyun

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 Bank (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

Room 1903, Wing On House

71 Des Voeux Road Central

Hong Kong

Telephone: (852) 2522 2101

Fax: (852) 2810 6789

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

Website: www.firstshanghai.com.hk

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

Stock Code on The Stock Exchange of

Hong Kong Limited: 227

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2023 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

In the first half of 2023, the global economy appeared poised for a gradual recovery, following the fraught period of economic slowdown, geopolitical realignments, high inflation rate, volatile financial markets and aggressive interest rate hikes over the past few years. Global economic growth rate was hindered by persistent labour shortage, stubborn core inflation rate and the continuous interest rates increase by major central banks, despite the improvement in supply chains and decline in energy prices. The sluggish recovery path appeared from global manufacturing to servicing sectors, impeding corporate returns and global financial markets.

In China, following the decision of the Central Government in late 2022 with lifting of the stringent zero-COVID controls, retail consumption bloomed at early 2023, though not to a quick return to pre-pandemic conditions. However, the general economic recovery witnessed a weak momentum suffering from the prolonged disruptions to the supply chain during the pandemic period and the continuous US-China trade tensions. The continuous concerns on local government debt and liquidity problems of major property developers further weakened market confidence. To cope with this situation, the Central Government has implemented more aggressive fiscal and monetary policies so as to stimulate consumer spending and enhance economic activities. The economy of Hong Kong was also adversely affected by the rising interest rates, the shortage of labour and the slow economic recovery.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in its core businesses, primarily the Financial Services Sector and the Property and Hotel Sector.

MANAGEMENT COMMENTARY

During the reporting period, the global financial markets including Hong Kong remained volatile. Major overseas markets advanced while Hang Seng Index dropped by 4.4% and closed at 18,916. Market concerns focused on worries about inflation and possible economic recession as well as the geopolitical conflicts. The banking sector turmoil in the US and Europe and the uncertainties about the liquidity and credit conditions of the property sector in Chinese Mainland hindered performance of the financial markets. Investors' willingness to invest was affected by market turbulence, resulting in a year-on-year decline in market turnover. In the first half of 2023, average daily market turnover decreased by 16% from approximately HK\$138 billion to approximately HK\$116 billion. The performance of our Financial Services Sector was significantly affected by the slowdown in the Hong Kong IPO and secondary market. During the reporting period, reduction in brokerage and underwriting commission income was reported, though partially offset by the slight increase in margin loan interest income due to the continuous interest rate hikes.

During the first half of 2023, benefited from the lifting of the stringent pandemic controls and travel restrictions, results from our property and hotel business recovered slightly, particularly from sales of property. However, the performance of our hotel business was affected by the major ad hoc renovation project of our hotel in Paris during the reporting period. We expect the situation will be improved in the second half of 2023 following the reopening of the hotel in June. The reporting result was further improved with the reduction on fair value losses of the investment properties.

For the six months ended 30th June 2023, the Group reported a net loss and basic losses per share attributable to shareholders of approximately HK\$2 million and HK0.12 cents respectively, as compared to a net loss and basic losses per share attributable to shareholders of approximately HK\$33 million and HK2.12 cents respectively reported from the corresponding period of 2022.

PROSPECTS

Looking ahead, the financial market will continue to be very volatile due to a combination of factors, such as the credit events of Chinese property developers, relaxation of domestic real estate policies, increased expectations of interest rate hikes by the US Federal Reserve, and mounting geopolitical tensions. We expect high core inflation, tightening labor market, change in post-pandemic consumer behavior and supply chain will continue to affect the core economic activities, especially in the Chinese manufacturing and servicing sectors. Turbulence in overall business environment will continue to affect the speed and path of recovery. We will continue to develop risk mitigation strategies to cope with the fast changing business environment.

As we expect the financial market will remain volatile, and will maintain a cautious and proactive approach regarding the risk and credit control of our operation and business development. Of particular note to the wave of digital transformation across various business operations during the pandemic period, we expect the trend will continue in future. The Group will persist to play an active role 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 enrich our product matrix and broaden our 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 will continue to face its challenges due to the high interest rate environment and continuous geopolitical tensions. 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 also endeavor to diversify its 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 2023, the Group reported a net loss attributable to shareholders of approximately HK\$2 million, representing a decrease of 94% as compared to the net loss approximately HK\$33 million reported from the corresponding period of 2022. The significant drops on the Group's net loss in the first half of 2023 was mainly attributable to (a) the closure of the medical centre in 2022 and hence no material operating expenses were incurred from the medical and healthcare business in 2023, and (b) increase in net interest income due to interest rate hikes. However, these impacts were partially offset by the decrease in brokerage and underwriting commission income from Financial Services Sector due to the slowdown in IPO and secondary market. Furthermore, the property and hotel business in Chinese Mainland remained challenging in the first half of 2023 due to global economic uncertainties and the concern on the liquidity problems of various major property developers. The basic losses per share attributable to the shareholders of the Company was HK0.12 cents. Revenue of the Group was approximately HK\$157 million, representing a decrease of 10% over the corresponding period of 2022, tracking to decline of revenue from medical and healthcare business, securities brokerage income, and the hotel business. Total net assets of the Group reported a decrease by 1% to approximately HK\$2,352 million when compared with approximately HK\$2,380 million as at 31st December 2022.

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 2023, the operating profit reported from Financial Services Sector decreased by 58% when compared with the corresponding period in 2022. This was mainly attributable to the decline in brokerage and underwriting income.

The performance of the securities market in the first half of 2023 was affected by various adverse factors, including rising interest rates and disruptions in the real economy driven by geopolitics. Hang Seng Index dropped from this year high of 22,700 in January 2023, and closed at 18,916. In the first half of 2023, our brokerage business reported a decrease in commission income by 29%, which was adversely affected from the decline in average daily market turnover by 16%. However, the impact was partially offset by the increase in margin loan interest income by 13% due to interest rate hikes. Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2023, we have completed three underwriting transactions and one financial advisory case. Income from advisory services increased by 10% as compared with the corresponding period in 2022. We have launched a fixed income fund in April 2023, and will continue to develop our fund management business.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. We have developed various property projects including residential, service apartment, commercial office, industrial office and hotel in China, and a recreation resort in Paris. For the six months ended 30th June 2023, operating loss of HK\$15 million was reported from Property and Hotel Sector, decreased by 41% when compared with the corresponding period in 2022. This improvement was mainly attributable to the reduction of fair value losses on investment properties held in Wuxi and Huangshan and the increase on sales from Huangshan project during the reporting period.

For the six months ended 30th June 2023, operating revenue from property development operations increased by 71% as compared with the corresponding period in 2022 tracking to increase of properties sales in Huangshan following the relaxation of pandemic control measures.

For the six months ended 30th June 2023, operating revenue from property investment and management operations reported decreased by 4% as compared with the corresponding period in 2022 with reduction in rental income from Wuxi projects. For investment properties held by the Group, valuation loss reported reduction by 35% from HK\$5.6 million to HK\$3.6 million.

For the six months ended 30th June 2023, revenue from hotel and golf operations recorded a decrease of 11% as compared with the corresponding period in 2022 preliminary due to the decrease in room revenue from the Paris hotel upon the temporary closure of operation for the major ad hoc renovation project in the first half of 2023.

Other Businesses

The Group's Other Businesses Sector includes medical and healthcare business and direct investment. For the reporting period, Other Businesses Sector recorded slight operation loss. Focusing our internal resources in the financial services business, there was no new direct investment launched in 2023.

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 and shareholders' fund raising projects will be arranged to meet the different demands of our operational needs. As at 30th June 2023, the Group had raised secured bank and other loans and unsecured bank and other loans of approximately HK\$176 million (31st December 2022: HK\$202 million) and approximately HK\$45 million (31st December 2022: HK\$35 million) respectively. As at 30th June 2023, the Group had held approximately HK\$263 million (31st December 2022: HK\$253 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) decreased to 9.4% as at 30th June 2023 (31st December 2022: 10.0%).

During the reporting period, there was no change on the Group's overall share capital structure. As at 30th June 2023, the total number of issued ordinary shares was 1,564,771,361 shares (31st December 2022: 1,564,771,361 shares). The Group announced a proposed open offer on 3rd August 2023 so as to improve its financial position. The proposed open offer may or may not proceed and is subject to approval by shareholders on an extraordinary meeting to be held on 22nd September 2023.

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.

MANAGEMENT COMMENTARY

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\$560 million (31st December 2022: HK\$579 million) and fixed deposits of the Group of approximately HK\$15 million (31st December 2022: HK\$15 million) against its bank loans and general banking facilities. No bank borrowing was secured by charges over listed securities pledged by the customers to the Group as margin and IPO loan collateral.

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 2023, total contingent liabilities relating to these guarantees amounted to approximately HK\$20 million (31st December 2022: HK\$9 million).

Material acquisition 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 2023, the Group employed 568 (30th June 2022: 556) staff, of whom 339 are based in Chinese Mainland. The staff costs of the Group for the six months ended 30th June 2023 amounted to approximately HK\$95 million (30th June 2022: HK\$107 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		Six months ended 30th June	
		2023	2022
		HK\$'000	HK\$'000
Revenue	5	157,072	175,337
Cost of sales		(52,438)	(76,399)
Gross profit		104,634	98,938
Other (losses)/gains – net	6	(3,339)	6,541
Selling, general and administrative expenses		(127,153)	(141,561)
Operating loss	5 and 7	(25,858)	(36,082)
Finance income	8	47,221	10,761
Finance costs	8	(20,047)	(6,653)
Finance income – net	8	27,174	4,108
Profit/(loss) before taxation		1,316	(31,974)
Taxation	10	(4,720)	(1,416)
Loss for the period		(3,404)	(33,390)
Attributable to:			
Shareholders of the Company		(1,931)	(33,237)
Non-controlling interests		(1,473)	(153)
		(3,404)	(33,390)
Losses per share attributable to shareholders of the Company			
– Basic	11	HK(0.12) cents	HK(2.12) cents
– Diluted	11	HK(0.12) cents	HK(2.12) cents

The notes on pages 15 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Loss for the period	(3,404)	(33,390)
Other comprehensive loss		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Currency translation differences	(13,009)	(58,947)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value loss on financial assets at fair value through other comprehensive income	(8,521)	(19,353)
– Currency translation differences	(1,982)	–
Other comprehensive loss for the period, net of tax	(23,512)	(78,300)
Total comprehensive loss for the period	(26,916)	(111,690)
Attributable to:		
Shareholders of the Company	(23,461)	(108,266)
Non-controlling interests	(3,455)	(3,424)
	(26,916)	(111,690)

The notes on pages 15 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
	Note		
Non-current assets			
Intangible assets	13	1,726	2,126
Property, plant and equipment	13	465,607	471,935
Right-of-use assets	13	20,133	26,574
Investment properties	13	578,011	604,704
Leasehold land and land use rights	13	35,274	36,462
Properties under development	14	131,410	135,633
Deferred tax assets		47	204
Financial assets at fair value through other comprehensive income		32,083	40,604
Other non-current prepayments and deposits		2,383	1,986
Total non-current assets		1,266,674	1,320,228
Current assets			
Inventories	14	356,104	355,203
Loans and advances		1,063,812	1,072,680
Trade receivables	15	122,291	150,217
Other receivables, prepayments and deposits		51,716	59,048
Tax recoverable		7,391	8,292
Financial assets at fair value through profit or loss		15,468	4,262
Deposits with banks		6,291	5,597
Client trust bank balances		2,474,098	2,678,227
Cash and bank balances		256,636	246,997
Total current assets		4,353,807	4,580,523
Current liabilities			
Trade and other payables	16	2,923,128	3,150,436
Tax payable		44,489	44,741
Lease liabilities		11,299	13,269
Borrowings	17	153,965	153,597
Total current liabilities		3,132,881	3,362,043
Net current assets		1,220,926	1,218,480

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Total assets less current liabilities		2,487,600	2,538,708
Non-current liabilities			
Deferred tax liabilities		58,101	60,836
Lease liabilities		9,698	14,324
Borrowings	17	66,585	83,278
Other non-current liabilities		262	257
Total non-current liabilities		134,646	158,695
Net assets		2,352,954	2,380,013
Equity			
Share capital	18	1,199,345	1,199,345
Reserves		1,093,982	1,117,443
Capital and reserves attributable to the Company's shareholders		2,293,327	2,316,788
Non-controlling interests		59,627	63,225
Total equity		2,352,954	2,380,013

The notes on pages 15 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Unaudited Six months ended 30th June	
		2023	2022
Note		HK\$'000	HK\$'000
Cash flows from operating activities			
	Net cash inflow from operating activities	9,380	26,762
	Hong Kong profits tax paid	(1,410)	–
	Overseas taxation paid	(2,418)	(2,520)
	Net cash generated from operating activities	5,552	24,242
Cash flows from investing activities			
	Interest received	51,340	9,195
	Purchase of property, plant and equipment	(3,906)	(1,712)
	Purchase of financial assets at fair value through profit or loss	(15,431)	–
	Decrease/(increase) in deposit paid for property, plant and equipment	437	(497)
	Proceeds from disposal of property, plant and equipment	293	38,569
	Proceeds from disposal of investment properties	9,015	9,598
	(Increase)/decrease in deposits with banks	(864)	7,224
	Net cash generated from investing activities	40,884	62,377
Cash flows from financing activities			
	Interest paid	(14,117)	(6,097)
	Proceeds from issue of shares	–	1,863
	Proceeds from borrowings	118,000	–
	Repayments of borrowings	(131,558)	(62,616)
	Payment for lease liabilities	(7,059)	(6,644)
	Net cash used in financing activities	(34,734)	(73,494)
Net increase in cash and cash equivalents			
	Cash and cash equivalents at 1st January	246,997	328,223
	Exchange differences	(2,063)	(5,108)
	Cash and cash equivalents at 30th June	256,636	336,240

The notes on pages 15 to 34 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	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at fair value		Retained earnings HK\$'000	HK\$'000	HK\$'000
				through other comprehensive income reserve HK\$'000	Exchange fluctuation reserve HK\$'000			
At 1st January 2023	1,199,345	38,715	12,334	(19,802)	(25,448)	1,111,644	63,225	2,380,013
Loss for the period	-	-	-	-	-	(1,931)	(1,473)	(3,404)
Other comprehensive loss	-	-	-	(8,521)	(13,009)	-	(1,982)	(23,512)
Total comprehensive loss for the period ended 30th June 2023	-	-	-	(8,521)	(13,009)	(1,931)	(3,455)	(26,916)
Dividend declared to non-controlling interests	-	-	-	-	-	-	(143)	(143)
At 30th June 2023	1,199,345	38,715	12,334	(28,323)	(38,457)	1,109,713	59,627	2,352,954

	Unaudited							
	Attributable to shareholders of the Company						Non-controlling interests	Total
	Share capital HK\$'000	Capital reserve HK\$'000	Assets revaluation reserve HK\$'000	Financial assets at fair value		Retained earnings HK\$'000	HK\$'000	HK\$'000
				through other comprehensive income reserve HK\$'000	Exchange fluctuation reserve 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

The notes on pages 15 to 34 form an integral part of this condensed consolidated financial information.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries (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 2022 that is included in the condensed consolidated financial information for the six months ended 30th June 2023 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 2022 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 31st August 2023.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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 2022, as described in those annual financial statements.

(a) *New and amended standards adopted by the Group*

In the current interim period, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January 2023:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to HKAS 8, *Definition of Accounting Estimates*
- Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to HKAS 12, *International Tax Reform – Pillar Two Model Rules*
- HKFRS 17 and Amendments to HKFRS 17, *Insurance contracts*
- Amendments to HKFRS 17, *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*

3. ACCOUNTING POLICIES (CONTINUED)

(a) *New and amended standards adopted by the Group (continued)*

The adoption of these new and amendments to HKFRSs have no material effect on the results and financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

The Group has not early applied the new standards and amendments that have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new standards and new amendments but is not yet in a position to determine whether these new standards and amendments would have a material impact on its results of operations and financial position.

(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 2022.

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
- Other businesses

Starting from last year, the Group focuses on the operating decisions and the performance evaluation of three reportable segments which are Financial services, Property development and Property investment and hotel. Medical and healthcare and Direct investment are no longer considered as separate reportable segments and have been aggregated into Other businesses. The change in the basis of internal reports to the chief operating decision maker is to combine segments with similar economic characteristics for the purpose of a more efficient resources allocation and performance assessment. As a result of the above re-alignment, comparative figures presented have also been restated to conform to current period's presentation.

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.

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results of the Group for the six months ended 30th June 2023 are as follows:

	Unaudited				HK\$'000
	Financial services	Property development	Property investment and hotel	Other businesses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Interest revenue calculated using effective interest method	35,787	-	-	-	35,787
Timing of recognition:					
– At a point in time	42,894	12,625	15,863	1,381	72,763
– Over time	5,708	-	40,456	2,358	48,522
Revenue	84,389	12,625	56,319	3,739	157,072
Segment results	9,834	(8,062)	(7,366)	(126)	(5,720)
Unallocated net operating expenses					(20,138)
Operating loss					(25,858)
Finance income – net					27,174
Profit before taxation					1,316

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. SEGMENT INFORMATION (CONTINUED)

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	Other businesses HK\$'000 (Restated)	
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	13,066	175,337
Segment results	23,215	(8,271)	(17,917)	(14,637)	(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 assets of the Group as at 30th June 2023 are as follows:

	Unaudited				
	Financial services	Property development	Property investment and hotel	Other businesses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,859,316	569,689	1,117,328	49,340	5,595,673
Tax recoverable					7,391
Deferred tax assets					47
Corporate assets					17,370
Total assets					<u>5,620,481</u>

The audited segment assets of the Group as at 31st December 2022 are as follows:

	Audited				
	Financial services	Property development	Property investment and hotel	Other businesses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,095,707	566,012	1,144,375	67,808	5,873,902
Tax recoverable					8,292
Deferred tax assets					204
Corporate assets					18,353
Total assets					<u>5,900,751</u>

6. OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Gain/(loss) on disposal of investment properties	159	(64)
Fair value losses on investment properties	(3,608)	(5,564)
(Loss)/gain on disposal of property, plant and equipment	(308)	12,479
Impairment of intangible assets	(400)	–
Net foreign exchange gain/(loss)	818	(310)
	(3,339)	6,541

7. OPERATING LOSS

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

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Depreciation	20,264	23,008
Amortisation of leasehold land and land use rights	771	819
Net losses on impairment of financial assets	2,878	1,200
Staff costs (<i>Note 9</i>)	95,189	106,813

8. FINANCE INCOME – NET

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Finance income	47,221	10,761
Finance costs		
– Interest on loans and overdrafts	(19,621)	(6,100)
– Interest expenses on lease liabilities	(426)	(553)
Total finance costs	(20,047)	(6,653)
Finance income – net	27,174	4,108

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited	
	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Wages, salaries and allowances	84,540	93,604
Retirement benefit costs	5,573	6,243
Other employee benefits	5,076	6,966
	95,189	106,813

10. TAXATION

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

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Hong Kong profits tax		
– Current	2,390	74
– Under provision in previous years	–	376
Overseas profits tax		
– Current	476	875
– (Over)/under provision in previous years	(17)	523
Land appreciation tax	2,892	1,672
Deferred taxation	(1,021)	(2,104)
Taxation charge	4,720	1,416

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\$1,931,000 (2022: HK\$33,237,000). The basic losses per share is based on the weighted average number of 1,564,771,361 (2022: 1,564,316,686) shares in issue during the period.

For the six months ended 30th June 2023 and 2022, 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 2023 (2022: Nil).

13. CAPITAL EXPENDITURE

	Unaudited				
	Intangible assets	Property, plant and equipment	Right-of-use assets	Investment properties	Leasehold land and land use rights
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value at 1st January 2023	2,126	471,935	26,574	604,704	36,462
Additions	-	3,797	418	-	-
Fair value losses	-	-	-	(3,608)	-
Disposals	-	(601)	-	(8,856)	-
Depreciation and amortisation (Note 7)	-	(13,364)	(6,900)	-	(771)
Impairment (Note 6)	(400)	-	-	-	-
Exchange differences	-	3,840	41	(14,229)	(417)
Net book value at 30th June 2023	1,726	465,607	20,133	578,011	35,274

	Unaudited				
	Intangible assets	Property, plant and equipment	Right-of-use assets	Investment properties	Leasehold land and land use rights
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 (Note 7)	-	(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

14. INVENTORIES

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Properties under development (within normal operating cycle)	155,309	141,178
Properties held for sale	199,029	212,786
Other inventories	1,766	1,239
	356,104	355,203
Properties under development (beyond normal operating cycle)	131,410	135,633

15. TRADE RECEIVABLES

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Due from stockbrokers and clearing houses	83,154	64,471
Due from stockbroking clients	29,128	78,592
Trade receivables – others	24,115	21,725
	136,397	164,788
Loss allowance	(14,106)	(14,571)
	122,291	150,217

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 2023 and 31st December 2022, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
0 – 30 days	115,201	143,959
31 – 60 days	739	5,270
61 – 90 days	225	46
Over 90 days	6,126	942
	122,291	150,217

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Due to stockbrokers and dealers	18,911	31,431
Due to stockbroking clients and clearing houses	2,515,462	2,754,995
Trade payables	139,860	147,892
Total trade payables	2,674,233	2,934,318
Contract liabilities	83,187	53,180
Accruals and other payables	165,708	162,938
	2,923,128	3,150,436

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\$2,474,098,000 (31st December 2022: HK\$2,678,227,000).

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 2023 and 31st December 2022, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
0 – 30 days	7,451	7,133
31 – 60 days	5,232	8,500
61 – 90 days	1,469	1,260
Over 90 days	125,708	130,999
	139,860	147,892

17. BORROWINGS

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Non-current		
Bank loans – secured	61,597	78,129
Other loan – unsecured	4,988	5,149
	66,585	83,278
Current		
Bank loans – secured	113,965	123,597
Bank loans – unsecured	10,000	–
Other loan – unsecured	30,000	30,000
	153,965	153,597
	220,550	236,875

As at 30th June 2023, 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\$560 million (31st December 2022: HK\$579 million) and fixed deposits of approximately HK\$15 million (31st December 2022: HK\$15 million) to secure bank borrowings.

Bank borrowings are either repayable on demand or will mature and be repayable in July 2023 to December 2029 and bear floating interest rates. The weighted average effective interest rate at 30th June 2023 was 6.31% (31st December 2022: 5.41%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$148,000,000 (31st December 2022: HK\$148,000,000) and HK\$72,550,000 (31st December 2022: HK\$88,875,000) are denominated in Hong Kong dollars and Renminbi, respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2023		Audited 31st December 2022	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At beginning of the period	1,564,771	1,199,345	1,551,055	1,197,482
Issue of shares (<i>Note</i>)	–	–	13,716	1,863
At end of the period	1,564,771	1,199,345	1,564,771	1,199,345

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 year ended 31st December 2022.

19. COMMITMENTS

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

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Contracted but not provided for	324,339	362,904

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 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Not later than one year	16,689	19,871
Later than one year but not later than five years	16,121	19,048
More than five years	5,809	6,309
	38,619	45,228

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2023 HK\$'000	Audited 31st December 2022 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (<i>Note (i)</i>)	19,746	8,888

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) As at 30th June 2023, the Group was still 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\$41 million was recognised in “other payable” as at 30th June 2023 (31st December 2022: HK\$39 million).

21. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30th June	
	2023 HK\$'000	2022 HK\$'000
Fees	837	810
Salaries and other employee benefits	5,588	5,473
Retirement benefit costs	488	476
	6,913	6,759

- (b) As at 30th June 2023, loan from a related party of HK\$30,000,000 (31st December 2022: 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 (2022: HK\$595,000).

As at 30th June 2023, loan from a related party of HK\$4,989,000 (31st December 2022: HK\$5,150,000) was interest bearing at 7% per annum, denominated in Renminbi and repayable within 2 years. The relevant interest amount for the period amounted to HK\$121,000 (2022: HK\$194,000).

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 2022.

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 2023.

	Unaudited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	31	–	31
– unlisted wealth management products	–	15,437	15,437
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	32,083	32,083
	31	47,520	47,551

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 2022.

	Audited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss			
– listed securities	32	–	32
– unlisted wealth management products	–	4,230	4,230
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	40,604	40,604
	32	44,834	44,866

For the six months ended 30th June 2023, 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.

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 2023, 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	413,419,763	528,636,981	33.78%
Mr. YEUNG Wai Kin	Long position	15,541,924	–	15,541,924	0.99%
Mr. ZHOU Xiaohu	Long position	160,000	–	160,000	0.01%

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

Note: 85,138,236 shares, 328,029,445 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.

Save as disclosed above, as at 30th June 2023, 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 2023.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2023, 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	8.80%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note)	Long position	12,432,000	61,576,000	63,640,000	137,648,000	8.80%

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 2023 (2022: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 five independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao, Mr. ZHOU Xiaohu and Mr. LI Zhiyun. 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 2023 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 2023.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 31st August 2023