



First Shanghai Investments Limited
Stock Code: 227



2021

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 Xiaohu

NOMINATION COMMITTEE

Prof. WOO Chia-Wei (*Chairman*)

Mr. LO Yuen Yat

Mr. YU Qihao

Mr. ZHOU Xiaohu

REMUNERATION COMMITTEE

Mr. ZHOU Xiaohu (*Chairman*)

Mr. LO Yuen Yat

Prof. WOO Chia-Wei

Mr. YU Qihao

AUDIT COMMITTEE

Mr. YU Qihao (*Chairman*)

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

Prof. WOO Chia-Wei

Mr. LIU Ji

Mr. ZHOU Xiaohu

COMPANY SECRETARY

Mr. YEUNG Wai Kin

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

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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REGISTRARS & TRANSFER OFFICE

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Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

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

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2021 together with the comparative figures for the corresponding period last year.

MARKET OVERVIEW

In the first half of 2021, the COVID-19 pandemic continued to pose uncertainties to the global development. The imposition of extended mandatory quarantine requirements at the beginning of the year highly hindered business activities across the world. Benefited from increase in vaccination rate, certain western countries relaxed their epidemic prevention and control measures after spring, aiming to gradually resume community lifestyle and business activities. In Chinese Mainland, there still reported sporadic outbreaks in some provinces and cities. Implemented by the Central Government with zero-tolerance prevention and control measures from overseas imported cases, general society and most business activities resumed normal. In Hong Kong, the travel restrictions and the imposition of mandatory quarantine requirements since late 2020 continued to place pressure on local consumption, despite recovery was noted since May, tracking to the implementation of public vaccination program.

While most countries maintained normalized epidemic prevention measures and controls, consumer confidence and spending, corporate earnings and unemployment rate reported gradual improvement. During the reporting period, the US Federal Reserve and most central banks pledged to maintain low interest rates policies. The large scale fiscal stimulus and expectations for sustained economic recovery supported market sentiment that led to record high on major indices in the US. In Chinese Mainland, remarked by solid economic data and corporate earnings, financial markets also reported boosting trading activities, despite the continuous market concerns on supply chain disruptions and Sino-US trade tension.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector, Property and Hotel Sector, Medical and Healthcare Sector and Direct Investment Sector.

In the first half of 2021, the global financial market remained volatile under the impact of the COVID-19 pandemic and Sino-US trade tension. Markets continued to be sensitive to the development of the pandemic and pace of economic recovery. Fruitful with stabilization of the pandemic upon rollouts of vaccination and expectations on economic recovery, major indices in the US and major European countries advanced gain. Solid economic data and corporate earnings paced gains on major indices in Chinese Mainland. In Hong Kong, despite gain on improving pandemic situation, performance of financial markets was fluctuated with concerns about the possible withdrawal of supportive monetary measures implemented by major central banks. The performance of the Financial Services Sector was benefited with boost in market trading volume and the blooming IPO market, leading to increase in overall brokerage commission income and IPO loan interest income. On the other hand, impeded by delay in large scale corporate activities, results from underwriting and corporate financing business were still unsatisfactory. Despite concerns about market volatility, with improvement on market appetite, our average margin loan size reported slight increase, surging revenue generated on margin loan business.

Property and Hotel Sector was the most affected business sector of the Group under the COVID-19 epidemic. For the first half of 2021, prolonged with stringent prevention and control measures and general travel restrictions in Europe, hotel and beverage businesses in Paris were shutdown thus reported pronounced operating loss. Committed to maintain property sales volume in Wuxi, reduction on selling price and thus total revenue was reported. Revenue from property sales was further reduced with drop in sales volume in Huangshan. In addition, suffering from the property price drop, the Group recognized valuation loss during the reporting period.

Our Medical and Healthcare Sector was still affected by the COVID-19 pandemic in 2021 but the demand for medical services gradually resumes since March 2021. Besides, the demand for our COVID-19 testing and vaccination services, as well as pre-vaccination assessment service is encouraging. Following the recovery of the medical and healthcare market, we have put in more resources in brand building, business development and enhancement of the IT system. Operating result was slightly improved attributable to increase in health check and endoscopy business.

For the six months ended 30th June 2021, the Group reported a net loss and basic losses per share attributable to shareholders of approximately HK\$32 million and HK2.25 cents respectively, as compared to a net loss and basic losses per share attributable to shareholders of approximately HK\$41 million and HK2.89 cents respectively reported from the corresponding period of 2020.

PROSPECTS

Looking ahead, we expect the outlook of global economy will continue to be closely tied with the uncertainties of COVID-19 pandemic. Despite certain recovery of the consumption market in the first half of 2021, economic environment will continue to be challenging. Adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in a balance portfolio of major business sectors, we are still cautiously optimistic towards the gradual pick up of cross-border flows and relaxation on pandemic prevention and control measures which adversely hindered business activities. The Group will remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

Financial market will continue to be volatile due to the pandemic and geopolitical uncertainties. Performance of financial markets will also be hindered by worries on inflation and monetary policies from major central banks. We will maintain a cautious and proactive approach regarding the risk and credit control of our operation and business development. COVID-19 has accelerated a wave of digital transformation across various business operations. We are committed to continue to invest in digitalization and automation 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.

In view of the growing demand of people's higher awareness of high quality medical and healthcare services under the current epidemic, the Group will pursue to leveraging on its existing networks so as to tap into the market which can increase and widen our source of revenue. The Group has been continuously exploring different opportunities to broaden its income stream and strengthen its market presence.

It is undeniable that the global economy faces its challenges in recent history due to the COVID-19 pandemic. The risks and uncertainties facing the Hong Kong market are expected to be increased. Looking forward, the Group will continue to adopt diversified strategies with a view to grasping all valuable business opportunities for the Group to advance its business model and to growth in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Overview

For the six months ended 30th June 2021, the Group reported a net loss attributable to shareholders of approximately HK\$32 million, representing 22% reduction as compared to approximately HK\$41 million reported from the corresponding period of 2020. This result was attributable to the surge of brokerage income and margin loan interest income from Financial Services Sector with improvement on market sentiment. Furthermore, hotel business in Chinese Mainland and medical and healthcare business in Hong Kong were slightly recovered after the drop of COVID-19 cases, which led to the relaxation of quarantine policies. People's vigilance and economic activities gradually resumed. The overall recovered result was partially offset by the increase in fair value loss of our investment properties and slow down of properties sales in Huangshan. The basic losses per share attributable to the shareholders of the Company was HK2.25 cents. Revenue of the Group was approximately HK\$259 million, representing an increase of 33% over the corresponding period of 2020, tracking to improvement of revenue from securities brokerage income, margin loan interest income, hotel operation as well as medical and healthcare business, despite the drop of sales on properties had been reported. Total net assets of the Group reported slight decrease by 1% to approximately HK\$2,655 million when compared with approximately HK\$2,688 million as at 31st December 2020.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management. For the first half of 2021, the operating profit reported from Financial Services Sector increased by 138% when compared with the corresponding period in 2020. This was mainly attributable to the surge of brokerage income and margin loan interest income. The impact was partially offset by the decrease in advisory fee income.

The Hong Kong stock market continued the upward trends from 2020. Pandemic situation stabilized after the vaccination progress improved. Market sentiment is optimistic with the expectation of worldwide economic recovery. Hang Seng Index hit 31,000 in early 2021, despite the subsequent outbreak of new COVID-19 variants and rebound of COVID-19 cases. Thereafter, investors were clouded with economic and regulatory uncertainties implemented by the Central Government. Hang Seng Index dropped from this year high to around 27,700 in May 2021, and closed at 28,828. In the first half of 2021, the average daily market turnover increased by 60% from HK\$118 billion to HK\$188 billion. During the reporting period, our brokerage business, tracking the market trend and increase in trading volume on US market, reported an increase in brokerage commission income by 64%. The increasing trend was further contributed by the blooming IPO market. During the reporting period, total fund raised by IPO was doubled from HK\$93 billion to HK\$210 billion. Margin loan interest income was raised by 48% following the increased market activities.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2021, we have completed five financial advisory cases. In addition, three IPO cases were under processing. Income from advisory services decreased by 43% as there was no IPO completed during the reporting period.

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 Mainland. They include residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2021, operating loss of HK\$36 million was reported from Property and Hotel Sector, increased by 66% when compared with the corresponding period of last year. This unsatisfactory performance was mainly attributable to the reduction on sales volume from Huangshan project and increase in discount offered from Wuxi project so as to speed up the sales of remaining unsold units.

For the six months ended 30th June 2021, operating revenue from property development operations dropped by 46% as compared with the corresponding period in 2020 tracking to slow down of properties sales in Huangshan.

For the six months ended 30th June 2021, operating revenue from property investment and management operations reported raised by 32% as compared with the corresponding period in 2020 with continuous increase in rental occupancy rate since the second half of 2020. For investment properties held by the Group, valuation loss increased to HK\$25 million tracking to increase in sales discount offered on Wuxi project.

For the six months ended 30th June 2021, revenue from hotel and golf operations recorded an increase of 32% as compared with the corresponding period in 2020. After the stringent quarantine and protective policies adopted in Chinese Mainland, COVID-19 cases dropped. Hotel business in Wuxi was slightly recovered after the resumption of economic activities.

Medical and Healthcare

The Group explored to the Medical and Healthcare Sector by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. For the six months ended 30th June 2021, the medical centre recorded a surge in revenue by 97% as compared with the corresponding period in 2020. The reduction of COVID-19 cases led to the relaxation of people's vigilance. People restores confidence and robust the needs of non-urgent medical treatments. The revenue was boosted further after the rollout of vaccination program in Hong Kong which increased the needs for pre-vaccination check-up services. For the six months ended 30th June 2021, operating loss of HK\$39 million was reported from Medical and Healthcare Sector, decreased by 11% as compared with the corresponding period of last year.

Direct Investment

For the reporting period, Direct Investment Sector recorded operating profit arising from the gain on disposal of a subsidiary. Focusing our internal resources over the financial services and medical and healthcare business, no new direct investment launched in 2021.

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 2021, the Group had raised bank and other loans of approximately HK\$3,117 million (31st December 2020: HK\$309 million) and held approximately HK\$242 million (31st December 2020: HK\$341 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) increased to 117.4% (31st December 2020: 11.5%). The increase in gearing ratio is mainly contributed by notable increase in short term loans being drawn to finance the IPO loans business in response to the blooming IPO market during the period ended 30th June 2021. Excluding the short-term loans in relation to IPO business, the gearing ratio (total borrowing, excluding short-term loan in relation IPO business to shareholder's fund) increased to 30.8% (31st December 2020: 11.5%).

During the reporting period, there was no change on the Group's overall share capital structure. As at 30th June 2021, the total number of issued ordinary shares was 1,418,973,012 shares (31st December 2020: 1,418,973,012 shares).

The Group's licensed subsidiaries are subject to various statutory capital requirements in accordance with the Securities and Futures (Financial Resources) Rules (Cap. 571N) 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\$638 million (31st December 2020: HK\$635 million) and fixed deposits of the Group of approximately HK\$15 million (31st December 2020: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounting to approximately HK\$248 million (31st December 2020: HK\$274 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.

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 to the extent of approximately HK\$33 million. On 23rd June 2021, Wuxi Intermediate People's Court issued a ruling for the above claim in favour of the claimant. The directors have re-evaluated all the circumstances and, after obtaining legal advice on the above claim and ruling, applied for an appeal to the Wuxi Higher People's Court on 14th July 2021. Taking into account the legal advice, management considered that it is more likely that the Group would not be obliged to pay the penalty charges and the related legal costs claimed as at 30th June 2021.

As at 30th June 2021, total contingent liabilities relating to these litigation and guarantees amounted to approximately HK\$36 million (31st December 2020: HK\$34 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 2021, the Group employed 689 (30th June 2020: 674) staff, of whom 380 are based in Mainland China. The staff costs of the Group for the six months ended 30th June 2021 amounted to approximately HK\$126 million (30th June 2020: HK\$108 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2021 HK\$'000	2020 HK\$'000
Revenue	5	259,146	194,568
Cost of sales		(106,846)	(90,763)
Gross profit		152,300	103,805
Other losses – net	6	(14,870)	(7,527)
Selling, general and administrative expenses		(164,814)	(154,555)
Operating loss	5 and 7	(27,384)	(58,277)
Finance income	8	7,252	22,841
Finance costs	8	(18,893)	(14,925)
Finance (costs)/income – net	8	(11,641)	7,916
Loss before taxation		(39,025)	(50,361)
Taxation	10	7,987	8,614
Loss for the period		(31,038)	(41,747)
Attributable to:			
Shareholders of the Company		(31,954)	(40,987)
Non-controlling interests		916	(760)
		(31,038)	(41,747)
Losses per share attributable to shareholders of the Company			
– Basic	11	HK(2.25) cents	HK(2.89) cents
– Diluted	11	HK(2.25) cents	HK(2.89) cents

The notes on pages 16 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period	(31,038)	(41,747)
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	(1,936)	(16,075)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value gain/(loss) on financial assets at fair value through other comprehensive income	2,316	(28,641)
Other comprehensive loss for the period, net of tax	(1,965)	(44,716)
Total comprehensive loss for the period	(33,003)	(86,463)
Attributable to:		
Shareholders of the Company	(34,857)	(84,222)
Non-controlling interests	1,854	(2,241)
	(33,003)	(86,463)

The notes on pages 16 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Non-current assets			
Intangible assets	13	5,126	5,126
Property, plant and equipment	13	624,048	651,641
Right-of-use assets	13	196,373	213,598
Investment properties	13	686,743	703,202
Leasehold land and land use rights	13	39,985	40,595
Properties under development	14	145,607	144,339
Deferred tax assets		53,306	52,568
Financial assets at fair value through other comprehensive income		81,639	79,323
Finance lease receivables		18,152	20,076
Other non-current prepayments and deposits		14,983	15,057
Total non-current assets		1,865,962	1,925,525
Current assets			
Inventories	14	363,758	355,891
Loans and advances		3,924,251	990,988
Trade receivables	15	440,580	372,305
Other receivables, prepayments and deposits		51,073	61,911
Finance lease receivables		3,815	3,747
Tax recoverable		11,277	7,028
Financial assets at fair value through profit or loss		29	24
Deposits with banks		48,072	23,763
Client trust bank balances		2,700,477	2,682,142
Cash and bank balances		194,048	317,070
Total current assets		7,737,380	4,814,869
Current liabilities			
Trade and other payables	16	3,444,664	3,329,795
Tax payable		53,262	48,686
Lease liabilities		48,264	45,532
Borrowings	17	2,985,143	167,325
Total current liabilities		6,531,333	3,591,338
Net current assets		1,206,047	1,223,531

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Total assets less current liabilities		3,072,009	3,149,056
Non-current liabilities			
Deferred tax liabilities		77,572	91,850
Lease liabilities		201,541	220,770
Borrowings	17	131,465	142,103
Other non-current liabilities		6,806	6,705
Total non-current liabilities		417,384	461,428
Net assets		2,654,625	2,687,628
Equity			
Share capital	18	1,162,940	1,162,940
Reserves		1,408,100	1,442,957
Capital and reserves attributable to the Company's shareholders		2,571,040	2,605,897
Non-controlling interests		83,585	81,731
Total equity		2,654,625	2,687,628

The notes on pages 16 to 34 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30th June	
	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
Net cash (outflow)/inflow from operating activities	(2,861,277)	197,352
Overseas taxation paid	(7,660)	(11,347)
Net cash (used in)/generated from operating activities	(2,868,937)	186,005
Cash flows from investing activities		
Interest received	6,827	20,239
Purchase of property, plant and equipment	(5,159)	(3,493)
Decrease in deposit paid for property, plant and equipment	43	253
Proceeds from disposal of property, plant and equipment	761	62
Proceeds from disposal of investment properties	1,501	3,640
Net proceeds from disposal of a joint venture	-	204,192
Net proceeds from disposal of a subsidiary	8	-
Increase in deposits with banks	(23,859)	(22,048)
Net cash (used in)/generated from investing activities	(19,878)	202,845
Cash flows from financing activities		
Interest paid	(14,165)	(9,359)
Proceeds from borrowings	2,970,721	140,000
Repayments of borrowings	(165,430)	(212,190)
Payment for lease liabilities	(26,603)	(30,225)
Net cash generated from/(used in) financing activities	2,764,523	(111,774)
Net (decrease)/increase in cash and cash equivalents	(124,292)	277,076
Cash and cash equivalents at 1st January	317,070	207,850
Exchange differences	1,270	(2,032)
Cash and cash equivalents at 30th June*	194,048	482,894

* As at 30th June 2021, cash and cash equivalents are net of bank overdrafts of HK\$Nil (30th June 2020: HK\$406,000).

The notes on pages 16 to 34 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						Retained earnings		
	Share capital	Capital reserve	Assets revaluation reserve	Financial assets at fair value through other		Exchange fluctuation reserve			
				comprehensive income	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	

	Unaudited							Non- controlling interests	Total
	Attributable to shareholders of the Company						Retained earnings		
	Share capital	Capital reserve	Assets revaluation reserve	Financial assets at fair value through other		Exchange fluctuation reserve			
				comprehensive income	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2020	1,162,940	38,755	12,334	36,727	(13,715)	1,397,335	76,891	2,711,267	
Loss for the period	-	-	-	-	-	(40,987)	(760)	(41,747)	
Other comprehensive loss	-	-	-	(28,641)	(14,594)	-	(1,481)	(44,716)	
Total comprehensive loss for the period ended 30th June 2020	-	-	-	(28,641)	(14,594)	(40,987)	(2,241)	(86,463)	
Contribution from non-controlling interests	-	-	-	-	-	-	400	400	
At 30th June 2020	1,162,940	38,755	12,334	8,086	(28,309)	1,356,348	75,050	2,625,204	

The notes on pages 16 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 2020 that is included in the condensed consolidated financial information for the six months ended 30th June 2021 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 2020 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 2021.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2021 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 2020, 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 2020, 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 2020.

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 2021 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment		Direct investment HK\$'000	
			and hotel HK\$'000	Medical and healthcare 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.

5. SEGMENT INFORMATION (CONTINUED)

The unaudited segment results of the Group for the six months ended 30th June 2020 are as follows:

	Unaudited					HK\$'000
	Financial services	Property development	Property investment	Medical and healthcare	Direct investment	
			and hotel			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest revenue calculated using effective interest method	34,450	-	-	-	-	34,450
Timing of recognition:						
- At a point in time	65,201	30,613	12,196	11,186	-	119,196
- Over time	8,954	-	29,738	-	2,230	40,922
Revenue	108,605	30,613	41,934	11,186	2,230	194,568
Segment results	28,165	5,160	(26,980)	(44,165)	(1,575)	(39,395)
Unallocated net operating expenses						(18,882)
Operating loss						(58,277)
Finance income – net						7,916
Loss before taxation						(50,361)

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 2021 are as follows:

	Unaudited					HK\$'000
	Financial services	Property development	Property investment	Medical and healthcare	Direct investment	
			and hotel			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	7,162,622	646,224	1,328,211	295,148	88,579	9,520,784
Tax recoverable						11,277
Deferred tax assets						53,306
Corporate assets						17,975
Total assets						<u>9,603,342</u>

The audited segment assets of the Group as at 31st December 2020 are as follows:

	Audited					HK\$'000
	Financial services	Property development	Property investment	Medical and healthcare	Direct investment	
			and hotel			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	4,223,783	665,875	1,366,855	318,669	86,387	6,661,569
Tax recoverable						7,028
Deferred tax assets						52,568
Corporate assets						19,229
Total assets						<u>6,740,394</u>

6. OTHER LOSSES - NET

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Gain/(loss) on disposal of investment properties	27	(128)
Gain on disposal of a subsidiary	2,356	-
Fair value losses on investment properties	(24,572)	(7,016)
Gain/(loss) on disposal of property, plant and equipment	704	(15)
Net gain on disposal of right-of-use assets	-	2,504
Net foreign exchange gain/(loss)	6,615	(2,872)
	(14,870)	(7,527)

7. OPERATING LOSS

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation	45,102	46,540
Amortisation of leasehold land and land use rights	816	756
Net losses on impairment of financial assets	244	2,438
Staff costs (<i>Note 9</i>)	125,846	108,256

8. FINANCE (COSTS)/INCOME - NET

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
– Interest income	6,837	22,522
– Interest income from leased assets	415	319
Total finance income	7,252	22,841
Finance costs		
– Interest on loans and overdrafts	(14,266)	(9,457)
– Interest expenses on lease liabilities	(4,627)	(5,468)
Total finance costs	(18,893)	(14,925)
Finance (costs)/income – net	(11,641)	7,916

9. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Wages, salaries and allowances	115,015	97,631
Retirement benefit costs	5,965	4,251
Other employee benefits	4,866	6,374
	125,846	108,256

10. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	3,504	1,244
– Over – provision in previous years	–	(122)
Overseas profits tax		
– Current	3,404	2,497
– Over – provision in previous years	(2)	(1)
Land appreciation tax	621	2,043
Deferred taxation	(15,514)	(14,275)
Taxation credit	(7,987)	(8,614)

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\$31,954,000 (2020: HK\$40,987,000). The basic losses per share is based on the weighted average number of 1,418,973,012 (2020: 1,418,973,012) shares in issue during the period.

For the six months ended 30th June 2021 and 2020, 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 2021 (2020: Nil).

13. CAPITAL EXPENDITURE

	Unaudited				
	Intangible	Property,	Right-of-	Investment	Leasehold
	assets	plant and	use assets	properties	land and
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

	Unaudited				
	Intangible	Property,	Right-of-	Investment	Leasehold
	assets	plant and	use assets	properties	land and
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	land use
					rights
					HK\$'000
Net book value at 1st January 2020	5,126	679,014	261,935	661,532	41,043
Additions	-	4,780	10,862	-	-
Transfer from inventories	-	-	-	11,693	-
Fair value losses	-	-	-	(7,016)	-
Disposals	-	(77)	(9,925)	(3,768)	-
Depreciation and amortisation (<i>Note 7</i>)	-	(22,995)	(23,545)	-	(756)
Exchange differences	-	(3,672)	(126)	(12,066)	(350)
Net book value at 30th June 2020	5,126	657,050	239,201	650,375	39,937

14. INVENTORIES

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Properties under development (within normal operating cycle)	73,735	57,157
Properties held for sale	286,681	295,360
Other inventories	3,342	3,374
	363,758	355,891
Properties under development (beyond normal operating cycle)	145,607	144,339

15. TRADE RECEIVABLES

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Due from stockbrokers and clearing houses	220,245	242,724
Due from stockbroking clients	211,093	122,761
Trade receivables – others	25,262	22,646
	456,600	388,131
Loss allowance	(16,020)	(15,826)
	440,580	372,305

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 2021 and 31st December 2020, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
0-30 days	436,403	368,929
31-60 days	1,489	1,278
61-90 days	1,213	874
Over 90 days	1,475	1,224
	440,580	372,305

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Due to stockbrokers and dealers	121,532	72,179
Due to stockbroking clients and clearing houses	2,983,098	2,921,963
Trade payables	175,294	172,380
Total trade payables	3,279,924	3,166,522
Contract liabilities	31,365	29,299
Accruals and other payables	133,375	133,974
	3,444,664	3,329,795

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\$2,700,477,000 (31st December 2020: HK\$2,682,142,000).

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 2021 and 31st December 2020, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
0-30 days	90,475	108,463
31-60 days	2,331	6,447
61-90 days	1,080	1,473
Over 90 days	81,408	55,997
	175,294	172,380

17. BORROWINGS

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Non-current		
Bank loans – secured	125,937	136,638
Other loan – unsecured	5,528	5,465
	131,465	142,103
Current		
Bank loans – secured	2,954,422	167,325
Bank loans – unsecured	30,000	–
Other loan – unsecured	721	–
	2,985,143	167,325
	3,116,608	309,428

As at 30th June 2021, 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\$638 million (31st December 2020: HK\$635 million) and fixed deposits of approximately HK\$15 million (31st December 2020: HK\$15 million) to secure bank borrowings.

As at 30th June 2021, bank borrowings of HK\$2,832 million (31st December 2020: HK\$30 million) were secured by certain listed securities pledged by the customers to the Group as margin and IPO loans collateral which had an aggregate fair value amounting to HK\$3,486 million (31st December 2020: HK\$568 million).

Bank borrowings are either repayable on demand or will mature and be repayable in July 2021 to June 2029 and bear floating interest rates. The weighted average effective interest rate at 30th June 2021 was 1.55% (31st December 2020: 3.66%) per annum. The carrying amounts of borrowings approximate to their fair values. Out of the total amount, approximately HK\$2,970 million (31st December 2020: HK\$145 million) and HK\$140 million (31st December 2020: HK\$159 million) are denominated in Hong Kong dollars and Renminbi respectively.

18. SHARE CAPITAL

	Unaudited 30th June 2021		Audited 31st December 2020	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares, issued and fully paid:				
At 30th June 2021 and 31st December 2020	1,418,973	1,162,940	1,418,973	1,162,940

19. COMMITMENTS

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

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Contracted but not provided for	446,076	430,339

(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 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Not later than one year	23,085	27,809
Later than one year but not later than five years	15,456	18,896
	38,541	46,705

20. CONTINGENT LIABILITIES

	Unaudited 30th June 2021 HK\$'000	Audited 31st December 2020 HK\$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (Note (i))	2,258	2,233
Litigation (Note (ii))	33,300	32,083
	35,558	34,316

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.
- (ii) During the period ended 30th June 2021, 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 to the extent of approximately HK\$33 million. On 23rd June 2021, Wuxi Intermediate People's Court issued a ruling for the above claim in favour of the claimant. The directors have re-evaluated all the circumstances and, after obtaining legal advice on the above claim and ruling, applied for an appeal to the Wuxi Higher People's Court on 14th July 2021. Taking into account the legal advice, management considered that it is more likely that the Group would not be obliged to pay the penalty charges and the related legal costs claimed as at 30th June 2021.

21. RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended 30th June	
	2021	2020
	HK\$'000	HK\$'000
Fees	810	810
Salaries and other employee benefits	5,165	5,005
Retirement benefit costs	460	423
	6,435	6,238

(b) As at 30th June 2021, loan from a related party of HK\$5,528,000 was interest bearing at 7% per annum, denominated in Renminbi and repayable within 1–2 years. The relevant interest amount for the period amounted to HK\$193,000.

As at 31st December 2020, loan from a related party of HK\$5,465,000 was interest bearing at 7% per annum, denominated in Renminbi and repayable within 1–2 years. The relevant interest amount for the year ended 31st December 2020 amounted to HK\$363,000.

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 2020.

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

22. FINANCIAL RISK MANAGEMENT (CONTINUED)*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 2021.

	Unaudited		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss – listed securities	29	–	29
Financial assets at fair value through other comprehensive income – unlisted securities	–	81,639	81,639
	29	81,639	81,668

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 2020.

	Audited		Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	
Financial assets at fair value through profit or loss			
– listed securities	24	–	24
Financial assets at fair value through other comprehensive income			
– unlisted securities	–	79,323	79,323
	24	79,323	79,347

For the six months ended 30th June 2021, there were no significant changes in the business or economic circumstances that affect the fair value of the financial assets.

For the six months ended 30th June 2021, there were no transfer of financial assets between level 1 and level 2 fair value hierarchy classifications.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.3 *Group's valuation processes*

The Group's finance department performs the valuations of financial assets required for financial reporting purposes: and reports, discusses and explains the reasons for the fair value movements to the Chief Financial Officer at least 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 2021, 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:

		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal interests	Corporate interests	Total	
Directors					
Mr. LO Yuen Yat (Note)	Long position	98,725,636	350,173,227	448,898,863	31.64%
Mr. YEUNG Wai Kin	Long position	11,872,304	-	11,872,304	0.84%
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: 72,952,000 shares, 277,005,227 shares and 216,000 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 2021, 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

No share options were granted, exercised, lapsed or outstanding under the Scheme during the six months ended 30th June 2021.

The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30th June 2021, 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	9.70%
Mr. YIN Jian, Alexander ("Mr. Yin") (Note)	Long position	12,432,000	61,576,000	63,640,000	137,648,000	9.70%

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 2021 (2020: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Nomination Committee

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

Remuneration Committee

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

Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. 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 2021 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 2021.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 26th August 2021