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## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2016

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 2016 together with the comparative figures for the corresponding period last year as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30th June	
	Note	2016 HK\$'000	2015 HK\$'000
Revenue	4	177,152	302,989
Cost of sales		(45,429)	(87,606)
Gross profit		131,723	215,383
Other (losses)/gains – net	5	(110,946)	6,546
Selling, general and administrative expenses		(109,734)	(150,179)
Operating (loss)/profit	4 and 6	(88,957)	71,750
Finance income		9,245	7,399
Finance costs		(7,662)	(12,281)
Finance income/(costs) – net		1,583	(4,882)
Share of results of			
– Associated companies		(1,523)	27,246
– Joint ventures		4,720	5,388
(Loss)/profit before taxation		(84,177)	99,502
Taxation	7	(11,295)	(11,759)
(Loss)/profit for the period		(95,472)	87,743
<b>Attributable to:</b>			
Shareholders of the Company		(96,822)	91,292
Non-controlling interests		1,350	(3,549)
		(95,472)	87,743
<b>(Losses)/earnings per share attributable to shareholders of the Company</b>			
– Basic	8	HK(6.83) cents	HK6.52 cents
– Diluted	8	HK(6.83) cents	HK6.46 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**Unaudited**  
**Six months ended 30th June**  
**2016**                      2015  
**HK\$'000**                    **HK\$'000**

(Loss)/profit for the period	(95,472)	87,743
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Other comprehensive (loss)/income		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value gain/(loss) on available-for-sale financial assets	11,268	(53,591)
– Exchange reserve realised upon disposal of a subsidiary	–	(5,764)
– Reserves realised upon disposal of an associated company	(157,843)	–
– Currency translation differences	(17,439)	(11,846)
– Share of post-acquisition reserves of an associated company	(53,463)	136,033
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Other comprehensive (loss)/income for the period, net of tax	(217,477)	64,832
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Total comprehensive (loss)/income for the period	(312,949)	152,575
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<b>Attributable to:</b>		
Shareholders of the Company	(312,668)	156,059
Non-controlling interests	(281)	(3,484)
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	(312,949)	152,575
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## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2016 <i>HK\$'000</i>	Audited 31st December 2015 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets		2,126	2,126
Property, plant and equipment		371,190	376,811
Investment properties		476,645	470,459
Leasehold land and land use rights		47,608	48,922
Investment in an associated company		–	434,822
Investments in joint ventures		237,763	247,562
Deferred tax assets		7,400	6,968
Available-for-sale financial assets		303,029	291,761
Loans and advances		6,721	6,455
		<u>1,452,482</u>	<u>1,885,886</u>
<b>Total non-current assets</b>		<u>1,452,482</u>	<u>1,885,886</u>
<b>Current assets</b>			
Inventories		661,143	674,127
Loans and advances		1,429,974	1,131,432
Trade receivables	10	174,095	159,001
Other receivables, prepayments and deposits		54,102	60,373
Tax recoverable		10,812	11,041
Financial assets at fair value through profit or loss		102,735	20,192
Deposits with banks		2,751	2,807
Client trust bank balances		3,353,523	2,791,106
Cash and cash equivalents		258,116	176,589
		<u>6,047,251</u>	<u>5,026,668</u>
<b>Total current assets</b>		<u>6,047,251</u>	<u>5,026,668</u>
<b>Current liabilities</b>			
Trade and other payables	11	3,900,408	3,272,593
Tax payable		45,480	39,088
Borrowings		422,551	169,682
		<u>4,368,439</u>	<u>3,481,363</u>
<b>Total current liabilities</b>		<u>4,368,439</u>	<u>3,481,363</u>
<b>Net current assets</b>		<u>1,678,812</u>	<u>1,545,305</u>
<b>Total assets less current liabilities</b>		<u>3,131,294</u>	<u>3,431,191</u>

	<b>Unaudited</b>	Audited
	<b>30th June</b>	31st December
	<b>2016</b>	2015
<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	57,438	54,526
Borrowings	<u>231,668</u>	<u>208,885</u>
<b>Total non-current liabilities</b>	<u><u>289,106</u></u>	<u><u>263,411</u></u>
<b>Net assets</b>	<u><u>2,842,188</u></u>	<u><u>3,167,780</u></u>
<b>Equity</b>		
Share capital	1,162,940	1,157,658
Reserves	<u>1,600,237</u>	<u>1,928,637</u>
Capital and reserves attributable to the Company's shareholders	<u>2,763,177</u>	3,086,295
Non-controlling interests	<u>79,011</u>	<u>81,485</u>
<b>Total equity</b>	<u><u>2,842,188</u></u>	<u><u>3,167,780</u></u>

## **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 operation, direct investment, investment holding and management.

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

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

The financial information relating to the year ended 31st December 2015 that is included in the condensed consolidated financial information for the six months ended 30th June 2016 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 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on these consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 26th August 2016.

### **2. BASIS OF PREPARATION**

This unaudited condensed consolidated financial information for the six months ended 30th June 2016 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 2015, 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 2015, 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. SEGMENT INFORMATION**

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

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

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

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

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

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

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

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

The unaudited segment results of the Group for the six months ended 30th June 2015 are as follows:

	Unaudited				HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	<u>239,617</u>	<u>1,775</u>	<u>58,941</u>	<u>2,656</u>	<u>302,989</u>
Segment results	<u>122,123</u>	<u>(12,260)</u>	<u>(17,530)</u>	<u>(4,996)</u>	87,337
Unallocated net operating expenses					<u>(15,587)</u>
Operating profit					71,750
Finance costs – net					(4,882)
Share of results of					
– Associated companies	–	–	–	27,246	27,246
– Joint ventures	–	–	5,741	(353)	<u>5,388</u>
Profit before taxation					<u>99,502</u>

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

The unaudited segment assets of the Group as at 30th June 2016 are as follows:

	Unaudited				HK\$'000
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	5,172,061	726,642	922,282	332,181	7,153,166
Investments in joint ventures	–	–	197,753	40,010	237,763
Tax recoverable					10,812
Deferred tax assets					7,400
Corporate assets					90,592
Total assets					<u>7,499,733</u>

The audited segment assets of the Group as at 31st December 2015 are as follows:

	Audited				HK\$'000
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	4,184,172	734,836	916,613	318,318	6,153,939
Investment in an associated company	–	–	–	434,822	434,822
Investments in joint ventures	–	–	206,998	40,564	247,562
Tax recoverable					11,041
Deferred tax assets					6,968
Corporate assets					58,222
Total assets					<u>6,912,554</u>

## 5. OTHER (LOSSES)/GAINS – NET

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Gain on disposal of interests in subsidiaries	–	5,764
Loss on disposal of an associated company	(117,900)	–
Gain on disposal of investment properties	113	–
Fair value gains/(losses) on investment properties	7,208	(6,682)
Net foreign exchange (loss)/gain	(367)	7,464
	<u>(110,946)</u>	<u>6,546</u>



## 6. OPERATING (LOSS)/PROFIT

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Charging:</b>		
Depreciation	7,653	19,996
Amortisation of leasehold land and land use rights	813	856
Staff costs	85,382	113,478
	<u>          </u>	<u>          </u>

## 7. TAXATION

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

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
– Current	6,685	14,737
Overseas profits tax		
– Current	1,043	675
– Under/(over)-provision in previous years	34	(52)
Land appreciation tax	335	75
Deferred taxation	3,198	(3,676)
	<u>          </u>	<u>          </u>
Taxation charge	<u>11,295</u>	<u>11,759</u>

## 8. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the Group's losses attributable to shareholders of approximately HK\$96,822,000 (2015: Group's profit attributable to shareholders of approximately HK\$91,292,000). The basic (losses)/earnings per share is based on the weighted average number of 1,417,250,484 (2015: 1,400,939,255) shares in issue during the period.

The Company has share options outstanding for the six months ended 30th June 2015 which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 11,808,264 dilutive potential ordinary shares.

Diluted losses per share during the period is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2016 (2015: Nil).

## 10. TRADE RECEIVABLES

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
Due from stockbrokers and clearing houses	<b>86,096</b>	50,498
Due from stockbroking clients	<b>82,749</b>	100,067
Trade receivables	<b>20,467</b>	23,936
	<b>189,312</b>	174,501
Provision for impairment	<b>(15,217)</b>	(15,500)
	<b>174,095</b>	159,001

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

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

At 30th June 2016 and 31st December 2015, the ageing analysis of trade receivables based on invoice date is as follows:

	<b>Unaudited 30th June 2016 HK\$'000</b>	Audited 31st December 2015 HK\$'000
0 – 30 days	<b>172,786</b>	157,866
31 – 60 days	<b>540</b>	555
61 – 90 days	<b>127</b>	51
Over 90 days	<b>642</b>	529
	<b>174,095</b>	159,001

## 11. TRADE AND OTHER PAYABLES

	<b>Unaudited</b> <b>30th June</b> <b>2016</b> <i>HK\$'000</i>	Audited 31st December 2015 <i>HK\$'000</i>
Due to stockbrokers and dealers	<b>23,498</b>	86,709
Due to stockbroking clients	<b>3,507,833</b>	2,875,589
Trade payables	<b>148,755</b>	156,262
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Total trade payables	<b>3,680,086</b>	3,118,560
Advance receipts from customers	<b>15,079</b>	9,029
Accruals and other payables	<b>205,243</b>	145,004
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	<b>3,900,408</b>	3,272,593
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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\$3,353,523,000 (31st December 2015: HK\$2,791,106,000).

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 and stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

At 30th June 2016 and 31st December 2015, the ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited</b> <b>30th June</b> <b>2016</b> <i>HK\$'000</i>	Audited 31st December 2015 <i>HK\$'000</i>
0 – 30 days	<b>137,226</b>	144,893
31 – 60 days	<b>2,491</b>	1,912
61 – 90 days	<b>1,432</b>	2,014
Over 90 days	<b>7,606</b>	7,443
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	<b>148,755</b>	156,262
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## MARKET OVERVIEW

In the first half of 2016, the global financial market witnessed high volatility. Markets worried about the slowdown of economies, the divergence in monetary policies among major central banks, and the uncertainties on global financial implications from Brexit. The US market, among global financial markets, was relatively positive, while continuous to remain volatile. In early 2016, general US stock indexes fell amid lingering concerns about economic outlook when data announced was weaker than expected. The market recouped in March with improvement in corporate earnings, rebound of the commodities market and release on interest rate hike concerns following the conservative approach indicated by the US Fed amid mounting global risks. In late June, the financial market reacted vigorously when UK voted to leave the EU. The stock market dropped promptly but rebounded when investors anticipated delay in raising interest rate by the US Fed. In Europe, despite various fiscal measures were implemented by the European Central Bank, economic recovery in European countries remained weak in general in the first half of 2016. Market anxiety was firstly intensified with the concerns on Brexit which dampened market activities. However, with the weaker British pounds and investors' expectation on much stimulus by central banks to support the economy, the financial markets recovered by end of June.

The Mainland economy experienced another unsteady year. Following the suspension of the circuit break mechanism in early 2016, the financial market undergone another vigorous fluctuation since 2015. General concerns about Renminbi depreciation and credit rating of Mainland corporate and large banks continued to influence the market sentiment. The declining economic growth and the uncertainties due to Brexit also put pressure on the market. The financial market recovered later when the PBOC announced reduction in the bank reserve requirement ratio and the property markets picked up tracking various government supportive measures launched.

During the reporting period, the Hong Kong economy remained challenging. Hang Seng Index dropped by 5% from 21,914 points to 20,794 points. Investor sentiment of the financial market was fragile amid volatility in the Mainland and overseas markets. Average daily market turnover in the first half of 2016 decreased by 46% and 22% when compared with the first and the second half of 2015 respectively. Corporate finance and fund raising activities reduced significantly. The market was interweaved with uncertainties on timing of interest rate hike, volatility in Renminbi, property and commodities valuation, and economic outlook of the Mainland and overseas markets.

## **BUSINESS OVERVIEW**

For the first half of 2016, the Group experienced downward pressure on overall operation. The performance from Financial Services Sector was highly affected with the reduction on market activities of Hong Kong financial market. Revenue from stock brokerage business declined sharply tracking the decrease in market turnover, despite the fact that revenue from global futures and commodities brokerage business reported significant growth after enhancement on our online trading system. Investment sentiment tends to hold safe-haven assets and this also hindered our brokerage business, which is mainly focused on stock trading. Despite market sentiment, our margin financing business remained steady and has generated stable income to the Group in 2016. This was primarily benefited from the successful expansion of our customer base and research team over the past two years. While devoted to providing full range of financial services to our customers, we will continue to widen our products range and service scope so as to align ourselves with the market growth. We will also continue to closely monitor the market situation and implement cautious and proactive strategy so as to pursue sustainable and stable growth of the Group.

Our corporate finance business faced a challenging year in 2016. We continued to act as financial adviser to various Hong Kong listed companies. We were also engaged by numerous renowned Hong Kong listed companies to act as independent financial adviser for cases including but not limited to acquisitions and disposals, and a variety of continuing connected transactions. However, with the market volatility, corporate transactions and fund raising activities were delayed, especially on sizeable deals. Income from advisory services fee recognised in the reporting period dropped significantly. This impact was partially offset by the increase in sponsorship fee generated from various IPO cases of which one of them has been listed successfully on the GEM board of the Hong Kong Stock Exchange in July 2016. Corporate financial service is part of the extensive financial services we offer. Our corporate finance division and other divisions will continue to contribute to generate synergy and strive for further success.

During 2016, tracking implementation of various accommodative fiscal and monetary measures by the Central Government, the Chinese property market witnessed general recovery in the first and second tiers cities. On the other hand, market conditions in the third and fourth-tier cities where most of the Group's project located, remained challenging. Our property development and investment business was hindered by the huge inventory level. During the reporting period, our sale of property picked up, but yet to be further improved. For the first half of 2016, after recognition of slight property valuation gain, operating profit was reported when compared with a loss reported from 2015. We have completed development of Phase III of Wuxi project and target to launch Phases A and B of Huangshan project in the second half of 2016, aiming to reduce the overall inventory level of the Group.

In 2016, the Group has disposed its major direct investment vehicle, China Assets (Holdings) Limited with a cash consideration of HK\$104 million. We will take this opportunity to reinvest the surplus fund with new good direct investment projects so as to generate the best interest of our shareholders. We will concentrate our resources on the development of pharmaceutical/healthcare business and completion of our existing property development projects.

## **FINANCIAL REVIEW**

For the six months ended 30th June 2016, the Group reported a net loss attributable to shareholders of approximately HK\$97 million, as compared with a net profit of approximately HK\$91 million in the corresponding period of 2015. The record in net loss was mainly attributable to the recognition of a non-cash accounting loss on disposal of a listed associated company, China Assets (Holdings) Limited (“China Assets”, stock code: 170), amounted to approximately HK\$118 million. In addition, the overall result was reduced with the decrease in commission income from stock brokerage business marked to the sliding market turnover and the decrease in trading profit of our investment portfolio. This impact was partially offset by the decrease in depreciation charge of hotel facilities in Wuxi City, Jiangsu Province, PRC. The basic losses per share attributable to the shareholders of the Company was HK6.83 cents. Revenue of the Group was approximately HK\$177 million, representing a reduction of 42% over the same period of 2015 due to the decrease in revenue from stock brokerage business. Total net assets of the Group diminished by 10% to approximately HK\$2,842 million after the reduction of capital reserves after the disposal of China Assets, when compared with approximately HK\$3,168 million as at 31st December 2015.

### **Financial Services**

The Group’s Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. For the first half of 2016, the operating profit reported from Financial Services Sector dropped by 60% when compared with the same period of 2015. This was mainly attributable to the significant downturn of trading activities in Hong Kong stock market.

During the reporting period, trading activities of Hong Kong stock market fell amid the volatile global and Mainland markets. The average daily market turnover decreased by 46% from HK\$125 billion in the first half of 2015 to HK\$68 billion when compared with 2016. This has significantly hindered our brokerage business, which recorded a reduction in brokerage commission income by 71%. With the unsatisfactory market sentiment, especially after the circuit breaker mechanism driven by the Central Government in early January 2016, market activity including initial public offering, placing and underwriting has witnessed a slowdown, and this has highly curtailed income from relevant businesses. Affected by the high market volatility, trading gain from our securities investment business was unsatisfactory, reporting a decrease in 84%.

Amid market uncertainties, the margin loan demand from our clients was slightly weakened. The average margin loan portfolio decreased by 9% from approximately HK\$1,428 million during the first half of 2015 to approximately HK\$1,296 million in 2016. Nevertheless, the margin loan interest income generated remained stable as a result of increase in average loan interest rate.

Tracking our corporate finance business, we continued to focus on financial advisory cases during the reporting period. For the six months ended 30th June 2016, 9 financial advisory cases were completed and 4 IPO cases were under processing. Income from advisory services was reduced by 72% with decrease in the number of sizable independent financial advisory cases. The impact was partially offset by the increase in sponsorship fee generated from new IPO projects.

## **Property and Hotel**

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operation. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in PRC, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2016, operating profit was reported from Property and Hotel Sector, as compared with an operating loss recorded in the corresponding period last year. The improved result was mainly contributed by the recognition of slight properties revaluation gain, tracking to the recovery of the Chinese property market, and the reduction in depreciation charge on hotel facilities in Wuxi.

During the first half of 2016, the Central Government continued to implement various accommodative fiscal and monetary measures so as to stabilize the declining economic growth. The property market of the first-tier cities boosted with rigid market demand, while cities from other tiers improved in both selling prices and volume benefited from improvement in general market sentiment and liquidity flow. With worries over high inventories level in the third and fourth tier cities, valuation gain fell behind the general market trend. During the reporting period, the Group completed the final phase of its property development project in Wuxi. Revenue from sales of properties increased by 205% as compared to the corresponding period in 2015. We will continue to focus on completion of development projects on hand and reduction of inventory level in the second half of 2016.

Our property investment and management business, one of the steady income generators of the Group, reported slight decrease in revenue by 3% as compared with the corresponding period in 2015. For investment properties held by the Group, slight valuation gain was reported for the six months ended 30th June 2016, when compared with a valuation loss made in the corresponding period in 2015.

For the six months ended 30th June 2016, revenue from hotel and golf operation dropped by 5% as compared with the corresponding period in 2015. It was mainly attributable to the decrease in hotel room revenue as a result of reduction in average room rate due to keen market competition.

## **Direct Investment**

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. During the six months ended 30th June 2016, operating loss amounted approximately HK\$122 million was recorded from Direct Investment Sector after the recognition of non-cash accounting loss on disposal of China Assets. Revenue from other businesses remained steady during the reporting period.

## **PROSPECTS**

Looking forward, we are cautiously optimistic over the economic outlook of the Mainland and Hong Kong. We expect the Central Government will continue to deepen its economic reform and further implement various supportive measures as economic stimulus, although economic growth rate is expected to remain slow for a period. With the political and economic uncertainties in the US and Europe, we expect the US Fed will take steady and cautious approach on the pace of interest rate hike while the European Central Bank will continue its easing stimulus measures.

Benefited with the sound liquidity from overseas markets, we believe the Hong Kong financial market will pick up in the second half of 2016. In addition, the launch of Shenzhen-Hong Kong Stock Connect before the end of 2016 will also increase liquidity of the medium-sized enterprises in Hong Kong and improve the market sentiment. We will maintain a cautious and proactive approach regarding the credit control of our margin financing business, continue to upgrade our online trading platform, and strengthen our customer base. Backed up by experienced expertise and having sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we will continue to enhance our service and strengthen our business platform for further expansion.

We will consistently push forward our existing investment strategy. Placing focus on pharmaceutical and healthcare sectors. We shall further expand our Direct Investment business. We will also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

## **MATERIAL ACQUISITION AND DISPOSAL**

On 22nd January 2016, the Group entered into an agreement with New Synergies Investments Company Limited, a company wholly-owned by Mr. Lo Yuen Yat, a director of the Company, and his family members, to dispose the Group's entire interest in China Assets (Holdings) Limited for a cash consideration of approximately HK\$104 million. The transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 7th April 2016. The Group recorded an accounting loss on disposal of approximately HK\$118 million.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2016 (2015: Nil).



## **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.

## **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 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 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, *B.B.S., J.P.* and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee was set up to ensure proper financial reporting, risk management and internal control principles 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 2016 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 2016.

## **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE**

This announcement of interim results is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Listed Company Information” and the Company at <http://www.firstshanghai.com.hk> under “Corporation Information – Results Announcements”. The 2016 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Listed Company Information” and the Company at <http://www.firstshanghai.com.hk> under “Financial Information – Interim and Annual Report” in due course.

## **BOARD OF DIRECTORS**

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

By order of the Board  
**First Shanghai Investments Limited**  
**LO Yuen Yat**  
*Chairman*

Hong Kong, 26th August 2016