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## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

### 2017 FINAL RESULTS ANNOUNCEMENT

#### RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31st December 2017 as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	3	<b>446,445</b>	390,792
Cost of sales		<b>(115,777)</b>	(113,369)
Gross profit		<b>330,668</b>	277,423
Other gains/(losses) – net	4	<b>51,166</b>	(102,433)
Selling, general and administrative expenses		<b>(320,503)</b>	(231,087)
Operating profit/(loss)	5	<b>61,331</b>	(56,097)
Finance income		<b>25,090</b>	22,144
Finance costs		<b>(22,401)</b>	(17,222)
Finance income – net		<b>2,689</b>	4,922
Share of results of			
Associated company		–	(1,523)
Joint ventures		<b>13,619</b>	16,854
Profit/(loss) before taxation		<b>77,639</b>	(35,844)
Taxation	6	<b>(13,333)</b>	(20,116)
Profit/(loss) for the year		<b>64,306</b>	(55,960)
<b>Attributable to:</b>			
Shareholders of the Company		<b>61,944</b>	(49,909)
Non-controlling interests		<b>2,362</b>	(6,051)
		<b>64,306</b>	(55,960)
<b>Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the year</b>			
– Basic	7	<b>HK4.37 cents</b>	HK(3.52) cents
– Diluted	7	<b>HK4.37 cents</b>	HK(3.52) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	<u>64,306</u>	<u>(55,960)</u>
Other comprehensive income/(loss)		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value loss on available-for-sale financial assets	(70,626)	(36,505)
– Exchange reserve realised upon disposal of a joint venture	(3,373)	–
– Currency translation differences	92,433	(71,593)
– Share of post-acquisition reserves of an associated company	–	(53,463)
– Reserves realised upon disposal of an associated company	<u>–</u>	<u>(157,843)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>18,434</u>	<u>(319,404)</u>
Total comprehensive income/(loss) for the year	<u><u>82,740</u></u>	<u><u>(375,364)</u></u>
<b>Attributable to:</b>		
Shareholders of the Company	75,500	(364,401)
Non-controlling interests	<u>7,240</u>	<u>(10,963)</u>
	<u><u>82,740</u></u>	<u><u>(375,364)</u></u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		2,126	2,126
Property, plant and equipment		608,417	383,519
Investment properties		566,029	481,441
Leasehold land and land use rights		45,636	45,733
Investments in joint ventures		224,037	239,323
Deferred tax assets		17,405	6,843
Available-for-sale financial assets		184,630	255,256
Loans and advances		3,750	4,575
Finance lease receivables		1,042	–
Other non-current prepayments and deposits		49,322	–
<b>Total non-current assets</b>		<u>1,702,394</u>	<u>1,418,816</u>
<b>Current assets</b>			
Inventories		634,110	587,830
Loans and advances		1,534,062	1,314,308
Trade receivables	9	222,365	211,100
Other receivables, prepayments and deposits		70,630	47,224
Finance lease receivables		298	–
Tax recoverable		11,351	12,039
Financial assets at fair value through profit or loss		26,314	19,564
Deposits with banks		24,264	23,947
Client trust bank balances		2,781,688	3,050,357
Cash and cash equivalents		246,375	275,453
<b>Total current assets</b>		<u>5,551,457</u>	<u>5,541,822</u>
<b>Current liabilities</b>			
Trade and other payables	10	3,629,814	3,537,436
Tax payable		29,758	27,606
Borrowings		441,523	346,175
<b>Total current liabilities</b>		<u>4,101,095</u>	<u>3,911,217</u>
<b>Net current assets</b>		<u>1,450,362</u>	<u>1,630,605</u>
<b>Total assets less current liabilities</b>		<u>3,152,756</u>	<u>3,049,421</u>

	<i>Note</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>67,226</b>	56,026
Borrowings		<b>205,764</b>	213,525
Other non-current liabilities		<b>18,232</b>	—
		<u><b>291,222</b></u>	<u>269,551</u>
<b>Total non-current liabilities</b>		<u><b>291,222</b></u>	<u>269,551</u>
<b>Net assets</b>		<u><b>2,861,534</b></u>	<u>2,779,870</u>
<b>Equity</b>			
Share capital		<b>1,162,940</b>	1,162,940
Reserves		<b>1,624,004</b>	1,548,504
		<u><b>2,786,944</b></u>	<u>2,711,444</u>
Capital and reserves attributable to the Company's shareholders		<b>2,786,944</b>	2,711,444
Non-controlling interests		<b>74,590</b>	68,426
		<u><b>2,861,534</b></u>	<u>2,779,870</u>
<b>Total equity</b>		<u><b>2,861,534</b></u>	<u>2,779,870</u>

## 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, 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.

The financial information relating to the years ended 31st December 2017 and 2016 included in this announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the consolidated financial statements for the year ended 31st December 2017 in due course.

The Company’s auditor has reported on these consolidated financial statements for both years. The auditor’s reports were 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).

## 2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except that a leasehold land and building in Hong Kong is stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses (if any), and as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### **Changes in accounting policies and disclosures**

The adoption of all new and amended standards that are effective for the first time for the financial year beginning on 1st January 2017 by the Group did not have any material impact on results and financial position of the Group.

### 3. 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

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

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

The Group operates primarily in Hong Kong and the PRC. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

#### (a) Operating segments

	Financial services 2017 HK\$'000	Property development 2017 HK\$'000	Property investment and hotel 2017 HK\$'000	Medical and healthcare 2017 HK\$'000	Direct investment 2017 HK\$'000	2017 HK\$'000
<b>Income statement</b>						
Revenue	<u>310,094</u>	<u>7,210</u>	<u>121,891</u>	<u>1,238</u>	<u>6,012</u>	<u>446,445</u>
Segment results	<u>146,534</u>	<u>(13,999)</u>	<u>43,478</u>	<u>(69,702)</u>	<u>(7,457)</u>	98,854
Unallocated net operating expenses						<u>(37,523)</u>
Operating profit						61,331
Finance income – net						2,689
Share of results of joint ventures	–	–	13,844	–	(225)	<u>13,619</u>
Profit before taxation						<u>77,639</u>
<b>Balance sheet</b>						
Segment assets	4,691,949	748,305	1,215,122	123,947	202,994	6,982,317
Investment in a joint venture	–	–	224,037	–	–	224,037
Tax recoverable						11,351
Deferred tax assets						17,405
Corporate assets						<u>18,741</u>
Total assets						<u>7,253,851</u>
<b>Other information</b>						
Depreciation and amortisation	979	339	12,760	2,055	458	16,591

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

	Financial services 2016 <i>HK\$'000</i>	Property development 2016 <i>HK\$'000</i>	Property investment and hotel 2016 <i>HK\$'000</i>	Direct investment 2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Income statement</b>					
Revenue	<u>260,466</u>	<u>12,161</u>	<u>113,220</u>	<u>4,945</u>	<u>390,792</u>
Segment results	<u>124,275</u>	<u>(31,564)</u>	<u>17,345</u>	<u>(125,644)</u>	(15,588)
Unallocated net operating expenses					<u>(40,509)</u>
Operating loss					(56,097)
Finance income – net					4,922
Share of results of					
– An associated company	–	–	–	(1,523)	(1,523)
– Joint ventures	–	–	16,732	122	<u>16,854</u>
Loss before taxation					<u>(35,844)</u>
<b>Balance sheet</b>					
Segment assets	4,723,238	647,715	964,733	278,234	6,613,920
Investments in joint ventures	–	–	201,215	38,108	239,323
Tax recoverable					12,039
Deferred tax assets					6,843
Corporate assets					<u>88,513</u>
Total assets					<u>6,960,638</u>
<b>Other information</b>					
Depreciation and amortisation	1,045	266	14,475	675	16,461

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

**(b) Geographical segments**

	Hong Kong 2017 <i>HK\$'000</i>	PRC and others 2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	<u>312,141</u>	<u>134,304</u>	<u>446,445</u>
Non-current assets *	<u>201,106</u>	<u>1,299,253</u>	<u>1,500,359</u>

	Hong Kong 2016 HK\$'000	PRC and others 2016 HK\$'000	2016 HK\$'000
Revenue	<u>261,283</u>	<u>129,509</u>	<u>390,792</u>
Non-current assets *	<u>78,115</u>	<u>1,078,602</u>	<u>1,156,717</u>

\* *Non-current assets exclude available-for-sale financial assets and deferred tax assets.*

#### 4. OTHER GAINS/(LOSSES) – NET

	2017 HK\$'000	2016 HK\$'000
Gain on disposal of a joint venture	354	–
Gain on disposal of investment properties	1,121	742
Fair value gains on investment properties	31,096	15,689
Net foreign exchange gain/(loss)	18,595	(964)
Loss on disposal of an associated company	–	(117,900)
	<u>51,166</u>	<u>(102,433)</u>

#### 5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	2017 HK\$'000	2016 HK\$'000
<b>Crediting</b>		
Write back of provision for doubtful debts	–	18
Net gain on disposal of property, plant and equipment	<u>5</u>	<u>7</u>
<b>Charging</b>		
Depreciation	15,427	15,271
Amortisation of leasehold land and land use rights	1,590	1,607
Cost of properties sold	5,749	10,402
Stockbroking commission and related expenses	38,889	22,599
Staff costs	200,128	175,102
Operating lease rental in respect of land and buildings	53,574	9,322
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,813	2,660
– other auditors	775	795
Non-audit services – the Company's auditor	166	419
Provision for impairment of properties held for sale	–	18,161

## 6. TAXATION

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

	<b>2017</b>	2016
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong profits tax		
Current	<b>15,889</b>	16,343
Over-provision in previous years	<b>(961)</b>	(3,474)
Overseas taxation		
Current	<b>1,853</b>	1,702
(Over)/under-provision in previous years	<b>(102)</b>	34
Land appreciation tax	<b>528</b>	750
Deferred taxation	<u><b>(3,874)</b></u>	<u>4,761</u>
Taxation charge	<u><b>13,333</b></u>	<u>20,116</u>

## 7. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of HK\$61,944,000 (2016: Group's loss attributable to shareholders of HK\$49,909,000). The basic earnings/(losses) per share is based on the weighted average number of 1,418,973,012 (2016: 1,417,250,484) shares in issue during the year.

Diluted earnings per share is the same as the basic earnings per share as the potential additional ordinary shares are anti-dilutive during the year. The potential additional ordinary shares under the Group's share option were lapsed as at 31st December 2017.

For the year ended 31st December 2016, diluted losses per share is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

## 8. DIVIDENDS

The Board does not recommend the payment of a final dividend (2016: HK\$Nil) for the year ended 31st December 2017.

## 9. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	97,688	166,603
Due from stockbroking clients	118,750	30,806
Trade receivables — others	<u>21,543</u>	<u>28,251</u>
	237,981	225,660
Provision for impairment	<u>(15,616)</u>	<u>(14,560)</u>
	<u><u>222,365</u></u>	<u><u>211,100</u></u>

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 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.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	220,179	209,481
31 – 60 days	1,833	1,140
61 – 90 days	123	441
Over 90 days	<u>230</u>	<u>38</u>
	<u><u>222,365</u></u>	<u><u>211,100</u></u>

## 10. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due to stockbrokers and dealers	7,705	12,003
Due to stockbroking clients and clearing houses	3,198,960	3,239,624
Trade payables	<u>203,570</u>	<u>140,774</u>
Total trade payables	3,410,235	3,392,401
Advance receipts from customers	34,589	16,104
Accruals and other payables	<u>184,990</u>	<u>128,931</u>
	<u><u>3,629,814</u></u>	<u><u>3,537,436</u></u>

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\$2,781,688,000 (2016: HK\$3,050,357,000).

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

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.

The ageing analysis of the trade payables based on invoice date is as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	<b>188,920</b>	124,771
31 – 60 days	<b>2,534</b>	3,385
61 – 90 days	<b>1,577</b>	1,924
Over 90 days	<b>10,539</b>	10,694
	<b>203,570</b>	140,774

## **MARKET OVERVIEW**

2017 experienced a robust economic recovery across the world. In the US, domestic demand as well as labour market has reported significant improvement since the Trump's presidency. The US Federal Reserve Board implemented interest rate hike in gradual pace. Strong corporate earnings, optimism over tax reform and accommodative monetary policy has helped boost investment sentiment in the financial market. Most major indexes hit record highs during the year. In Europe, despite that negative impact of Brexit began to emerge, general economic outlook demonstrated optimism with continued supportive monetary policies. Japan has also experienced export recovery and ease on deflation worries. However, geopolitical tensions in North Korea and the Middle East and political uncertainties in various European countries did increase uncertainties to the financial market.

In Mainland, with continuous intensifying on the "supply-side structural reforms" and the steady growth in investment, consumption as well as foreign trade tracking to improvement on external demand, the economy experienced a steady and healthy development in 2017. Real GDP growth of 6.9% surpassed the annual economic growth target. Financial market rebounded amid stronger Renminbi and solid corporate earnings. However, the market gain was dampened with worries about price valuation, risk on increasing debt and the tightening and deleveraging measures implemented by the Central Government.

During the year, benefited from the economic improvement in Mainland, and the continuous growth on local demand and tourism, Hong Kong has also reported notable economic growth. Amid optimism about economic fundamentals, investment sentiment was boosted and the financial market outperformed major overseas markets. Significant influx of international capital as well as the southbound fund flow from Mainland uplifted trading volume to the financial market. Hang Seng Index hit over 30,000 points during the year since 2008. However, market outlook was clouded by concerns on property valuation, sustainability of market liquidity as well as regional geopolitical tensions.

## **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. For the year ended 31st December 2017, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK\$62 million and HK4.37 cents respectively, as compared with a net loss and basic losses per share attributable to shareholders of approximately HK\$50 million and HK3.52 cents respectively in 2016.

In 2017, Financial Services Sector witnessed a bullish securities market. Market sentiment was optimistic with strong capital liquidity and concrete economic fundamentals. The Group has recorded satisfactory growth from both brokerage and asset management businesses. With significant increase in average daily turnover, revenue from brokerage business increased, despite that market gains were concentrated only in a few large-cap technology and financial stocks. However, revenue from global commodities brokerage business reported slight reduction with market volatility. Our margin financing business, continued to be one of our major income generator, remained steady with increase in portfolio size, despite slight reduction on interest rate due to keen competition. With efforts from our professional research and asset management teams, performance from securities trading was outstanding with encouraging gain for the year of 2017. While devoted to providing comprehensive financial services to our brokerage customers, we will continue to widen our product range and service scope so as to align ourselves with the business growth.

In 2017, under the new regulation situation, our corporate finance business is facing a challenging year. We were engaged by numerous renowned Hong Kong listed companies to act as financial adviser and independent financial adviser for cases including but not limited to general offer, acquisitions and disposals, and a variety of continuing connected transactions. With market concern in strengthening regulation on listing in Hong Kong, IPO transactions and fund raising activities were delayed, especially for sizeable deals. Yet our experienced professional team was able to complete a sizeable general offer for a listed company on the Main Board and this had generated a significant increase in advisory fee income for the year. This impact was partially offset by a slight reduction in sponsorship fee generated from various IPO cases with slight delay in schedule to 2018. Corporate finance service is part of the extensive financial services we offer. Our corporate finance division and other divisions will continue to generate synergy and strive for greater success.

The PRC property market remained an important force in promoting a steady macroeconomic growth, as a whole maintained a stable development in 2017. The market realized a clear differentiation in terms of region during the year. Overall sales of the first and second-tier cities decreased due to tight industrial measures amid the government policy to stabilize general property price. On the other hand, the third and fourth-tier cities were still struggling under the de-stocking stage. During the year, the Group was still hindered by the limitation on product mixture. Impacted by delay in construction progress of the development project in Huangshan, sales of property was underperformed. However, operating results of this Sector improved with record on property revaluation gain.

In 2017, we have explored to the medical and healthcare business by setting up a brand-new medical centre named the International Medical Centre (“IMC”) with total gross area of 53,500 ft<sup>2</sup> in Central, Hong Kong. IMC targets to provide quality medical and healthcare services ranging from day surgery (including minor surgical treatment and endoscopy services), imaging diagnosis (including CT, MRI, ultrasound and mammography), body check-up, specialists consultation to various other kinds of medical services. The imaging centre, check-up centre and day surgery centre in IMC commenced business since late 2017 while several specialist clinics are still under set up stage. We target to complete all the renovation work and business set up in IMC so as to commence full scope of medical services within 2018.

We will continue to look for new direct investment opportunities focusing on medical healthcare business. With concrete and strong market demand for quality and high standard medical services, both from Hong Kong and Mainland, we are confident with the continuous growth of the medical healthcare business.

## **FINANCIAL REVIEW**

For the year ended 31st December 2017, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK\$62 million and HK4.37 cents respectively, as compared with a net loss and basic losses per share attributable to shareholders of approximately HK\$50 million and HK3.52 cents respectively in 2016. The result of the year was turnaround with the absence of recognition of a significant one-off accounting loss on disposal of a listed associated company, China Assets (Holdings) Limited (stock code: 170). It was further improved with increased commission income from stock brokerage business tracking with the booming market turnover and thanks to the outstanding performance of our asset management team, which enabled us to capture the investment opportunities and recorded encouraging results on securities trading. In addition, recovery of PRC property market has led to an increase in revaluation gains of our investment properties. However, these impacts were partially offset by the rental expenses incurred during the pre-operating stage of our medical centre. Revenue of the Group was approximately HK\$446 million, increased by 14% as compared to 2016 due to a rise in revenue from stock brokerage business. Total net assets of the Group raised slightly by 3% from approximately HK\$2,780 million in 2016 to approximately HK\$2,862 million in 2017.

### **Financial Services**

The Group’s Financial Services Sector engages in a full range of financial services including securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. Operating profit reported from Financial Services Sector increased by 18% from 2016. This was mainly due to robust of trading activities in Hong Kong stock market.

During the reporting year, benefited from the improved profitability of most Hong Kong listed companies and listing of certain mega size IPOs in Hong Kong, capital funds flooded into the Hong Kong stock market and boosted trading activities significantly, especially in the second half of 2017. The average daily market turnover increased by 31% from HK\$67 billion in 2016 to HK\$88 billion in 2017. Our brokerage business with wide customer base, has captured the market trend, and reported an increase in brokerage commission income by 37% in 2017. In addition, with the improved market sentiment and growing momentum our asset management team was able to capture the investment opportunities and generated significant trading gain on securities investment.

Regarding our corporate finance business, we continued to focus on financial advisory cases during the reporting year. In 2017, eighteen financial advisory cases and one general offer case were completed. In addition, five IPO cases were under processing of which two is about to launch. Income from advisory services reduced slightly by 5% as a result of decrease in total number of financial advisory transactions and slight drops in sponsorship fee income. These impacts were partially offset with the completion of the general offer case.

### **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, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. Most of them are located at the third and fourth-tier cities in the Mainland. During 2017, operating profit from Property and Hotel Sector amounted to HK\$29 million was recorded, as compared to an operating loss in 2016. The improved result was mainly attributable to the absence of impairment provision for certain properties held for sale made in 2016. On the other hand, increase in revaluation gains of investment properties held by the Group was reported with recovery on general selling price.

During 2017, the Central Government continued to promote steady macroeconomic growth, and different industrial policies were adopted by different cities. The property market in the first and second-tier cities with strong rigid demand, had seen implementation of tougher tightening policies. For the third and fourth-tier cities, sales volume increased in some cities while overall market was still hindered under the de-stocking stage. Revenue from sale of properties decreased by 41% as compared to 2016 due to sluggish property market at region where our property development projects located. In the coming year, we will continue to adjust our product mix while reducing inventory level is still the key target of the Group.

During the reporting year, our property investment and management business, one of the steady income generators of the Group, reported an increase in revenue by 13% as compared to 2016. Investment properties held by the Group reported an increase in fair value gains on valuation by 98% as compared to 2016, marked to the general increase in property prices.

Hotel and golf operation reported an increase in revenue by 6% in 2017 as compared to 2016. It was mainly attributable to a rise in occupancy rate, though partially offset by a reduction in average room revenue due to a drop in room rates in view of keen market competition.

### **Medical and Healthcare**

In 2017, the Group entered into 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. Our imaging centre, check-up centre and day surgery centre commenced business since late 2017 and hence only generated limited revenue in 2017 while significant rental expenses and staff cost had incurred. Revenue and operating loss amounted to HK\$1 million and HK\$70 million were recorded respectively.

### **Direct Investment**

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. In 2017, operating loss reduced by 94% as compared to 2016. It was mainly attributable to the absence of a significant one-off accounting loss on disposal of China Assets, amounted to approximately HK\$118 million.

### **PROSPECTS**

Looking ahead to 2018, we expect the global economic growth will extend while market volatility will increase. Major concerns which will affect global economic growth include challenges on the fiscal and monetary policies implemented by the US, geopolitical risks in North Korea and the Middle East, and possibility of trade protection sentiment. The pace of the US Fed interest rate hike and the trend of US dollar and thus global capital flow will also play an important role to the trend on financial market and the sentiments of financial investment.

In China, we expect the Central Government will continue to deepen its supply-side reforms and further implement various measures to deleverage financial risk so as to sustain a steady economic growth rate. With the implementation of listing reform by the Stock Exchange of Hong Kong, the expectation of various large IPOs and the extension of Stock Connect, we are conservatively optimistic towards the Hong Kong financial market in 2018. We will closely keep up with the market segments so as to capture business growth opportunities and control potential market risk.

Our Financial Service Sector will continue to maintain a cautious and proactive approach regarding the credit control of our margin financing business, continue to enhance our online trading platform, and widen our product scope and customer base to cope with market situation. Benefited from experienced expertise and 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 development.

Regarding the Medical and Healthcare Sector, we are optimistic on the business development of private healthcare in Hong Kong with the tight resource allocated to public healthcare services and the increasing health consciousness of people. We will push forward to meet the growing demand by strengthening our operational team and IT platform so as to optimize the efficiency and effectiveness of our newly set up medical centre. We will also continue to work with insurance companies to design comprehensive healthcare solutions, expand our scope of services to facilitate the market demand and adapt to the new technologies in order to provide high quality and comprehensive services to the community.

We will also consistently push forward our existing investment strategy, with focus on healthcare sector, to 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**

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

## **DIVIDEND**

The Board does not recommend the payment of a final dividend (2016: HK\$Nil) for the year ended 31st December 2017.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 25th May 2018. For details of the annual general meeting, please refer to the notice of annual general meeting which will be published on the Company's website and website of Hong Kong Exchanges and Clearing Limited and will be despatched to all shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 21st May 2018 to Friday, 25th May 2018, both days inclusive, during which period no transfer of shares will be effected for determining the shareholders who are entitled to attend and vote at the annual general meeting (“AGM”). In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 18th May 2018.

## **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 year ended 31st December 2017.

## **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 Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31st December 2017, 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.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31st December 2017.

## **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 year ended 31st December 2017.

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

This announcement of final 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 “Investor Relations – Corporate Announcement – Results Announcements”. The 2017 Annual 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 “Investor Relations – 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, *S.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, 23rd March 2018