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## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

### 2015 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 2015 as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	3	<b>491,923</b>	501,630
Cost of sales		<u>(141,995)</u>	<u>(193,079)</u>
Gross profit		<b>349,928</b>	308,551
Other gains – net	4	<b>49,139</b>	200,535
Selling, general and administrative expenses		<u>(272,937)</u>	<u>(319,509)</u>
Operating profit	5	<u>126,130</u>	<u>189,577</u>
Finance income		<b>21,405</b>	19,026
Finance costs		<u>(18,890)</u>	<u>(19,697)</u>
Finance income/(costs) – net		<u>2,515</u>	<u>(671)</u>
Share of results of			
Associated companies		<b>21,974</b>	13,731
Joint ventures		<u>12,584</u>	<u>12,267</u>
Profit before taxation		<b>163,203</b>	214,904
Taxation	6	<u>(28,546)</u>	<u>(9,548)</u>
Profit for the year		<u><b>134,657</b></u>	<u>205,356</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>134,862</b>	211,091
Non-controlling interests		<u>(205)</u>	<u>(5,735)</u>
		<u><b>134,657</b></u>	<u>205,356</u>
<b>Earnings per share for profit attributable to</b>			
<b>shareholders of the Company during the year</b>			
– Basic	7	<u><b>HK9.61 cents</b></u>	<u>HK15.09 cents</u>
– Diluted	7	<u><b>HK9.58 cents</b></u>	<u>HK15.00 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	<u>134,657</u>	<u>205,356</u>
Other comprehensive (loss)/income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
– Actuarial losses on retirement benefit obligations	–	(867)
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value (loss)/gain on available-for-sale financial assets	(221,977)	312,028
– Exchange reserve realised upon disposal of subsidiaries	(5,764)	5,028
– Exchange reserve realised upon disposal of an associated company	(15)	–
– Currency translation differences	(73,602)	(32,693)
– Share of post-acquisition reserves of an associated company	<u>61,945</u>	<u>57,189</u>
	<u>(239,413)</u>	<u>341,552</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(239,413)</u>	<u>340,685</u>
Total comprehensive (loss)/income for the year	<u>(104,756)</u>	<u>546,041</u>
<b>Attributable to:</b>		
Shareholders of the Company	(99,545)	552,070
Non-controlling interests	<u>(5,211)</u>	<u>(6,029)</u>
	<u>(104,756)</u>	<u>546,041</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		2,126	2,126
Property, plant and equipment		376,811	426,096
Investment properties		470,459	453,603
Leasehold land and land use rights		48,922	52,256
Investments in associated companies		434,822	351,152
Investments in joint ventures		247,562	250,074
Deferred tax assets		6,968	13,120
Available-for-sale financial assets		291,761	513,738
Loans and advances		<u>6,455</u>	<u>7,925</u>
<b>Total non-current assets</b>		<u><b>1,885,886</b></u>	<u><b>2,070,090</b></u>
<b>Current assets</b>			
Inventories		674,127	664,055
Loans and advances		1,131,432	977,113
Trade receivables	9	159,001	238,250
Other receivables, prepayments and deposits		60,373	142,543
Tax recoverable		11,041	6,838
Financial assets at fair value through profit or loss		20,192	33,732
Deposits with banks		2,807	7,584
Client trust bank balances		2,791,106	1,656,587
Cash and cash equivalents		<u>176,589</u>	<u>364,075</u>
<b>Total current assets</b>		<u><b>5,026,668</b></u>	<u><b>4,090,777</b></u>
<b>Current liabilities</b>			
Trade and other payables	10	3,272,593	2,392,289
Tax payable		39,088	35,970
Borrowings		<u>169,682</u>	<u>101,550</u>
<b>Total current liabilities</b>		<u><b>3,481,363</b></u>	<u><b>2,529,809</b></u>
<b>Net current assets</b>		<u><b>1,545,305</b></u>	<u><b>1,560,968</b></u>
<b>Total assets less current liabilities</b>		<u><b>3,431,191</b></u>	<u><b>3,631,058</b></u>

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>54,526</b>	61,245
Borrowings		<u><b>208,885</b></u>	<u>284,862</u>
<b>Total non-current liabilities</b>		<u><b>263,411</b></u>	<u>346,107</u>
<b>Net assets</b>		<u><b>3,167,780</b></u>	<u>3,284,951</u>
<b>Equity</b>			
Share capital		<b>1,157,658</b>	1,145,005
Reserves		<u><b>1,928,637</b></u>	<u>2,063,006</u>
Capital and reserves attributable to the Company's shareholders		<b>3,086,295</b>	3,208,011
Non-controlling interests		<u><b>81,485</b></u>	<u>76,940</u>
<b>Total equity</b>		<u><b>3,167,780</b></u>	<u>3,284,951</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, 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 2015 and 2014 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 2014 to the Registrar of Companies as required by section 109(3) of the predecessor Hong Kong Companies Ordinance (Cap. 32). The Company will deliver 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) 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”). 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.

### **Change in accounting policies and disclosures**

There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for the financial year beginning on 1st January 2015 that could be expected to have a material impact on the Group.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### 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
- 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 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 2015 HK\$'000	Property development 2015 HK\$'000	Property investment and hotel 2015 HK\$'000	Direct investment 2015 HK\$'000	2015 HK\$'000
<b>Income statement</b>					
Revenue	<u>361,631</u>	<u>3,107</u>	<u>122,089</u>	<u>5,096</u>	<u>491,923</u>
Segment results	<u>174,136</u>	<u>(21,635)</u>	<u>3,883</u>	<u>15,233</u>	171,617
Unallocated net operating expenses					<u>(45,487)</u>
Operating profit					126,130
Finance income – net					2,515
Share of results of					
– Associated companies	–	–	–	21,974	21,974
– Joint ventures	–	–	11,928	656	<u>12,584</u>
Profit before taxation					<u>163,203</u>

	Financial services 2015 HK\$'000	Property development 2015 HK\$'000	Property investment and hotel 2015 HK\$'000	Direct investment 2015 HK\$'000	2015 HK\$'000
<b>Balance sheet</b>					
Segment assets	4,184,172	734,836	916,613	318,318	6,153,939
Investments 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					<u>58,222</u>
Total assets					<u><u>6,912,554</u></u>
<b>Other information</b>					
Depreciation and amortisation	929	443	32,232	946	34,550

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

	Financial services 2014 HK\$'000	Property development 2014 HK\$'000	Property investment and hotel 2014 HK\$'000	Direct investment 2014 HK\$'000	2014 HK\$'000
<b>Income statement</b>					
Revenue	<u>272,044</u>	<u>18,530</u>	<u>122,008</u>	<u>89,048</u>	<u>501,630</u>
Segment results	<u>116,639</u>	<u>(8,521)</u>	<u>(49,018)</u>	<u>164,657</u>	223,757
Unallocated net operating expenses					<u>(34,180)</u>
Operating profit					189,577
Finance costs – net					(671)
Share of results of					
– Associated companies	-	-	-	13,731	13,731
– Joint ventures	-	-	11,383	884	<u>12,267</u>
Profit before taxation					<u><u>214,904</u></u>

	Financial services 2014 HK\$'000	Property development 2014 HK\$'000	Property investment and hotel 2014 HK\$'000	Direct investment 2014 HK\$'000	2014 HK\$'000
<b>Balance sheet</b>					
Segment assets	3,093,564	750,511	952,422	572,066	5,368,563
Investments in associated companies	–	–	–	351,152	351,152
Investments in joint ventures	–	–	207,664	42,410	250,074
Tax recoverable					6,838
Deferred tax assets					13,120
Corporate assets					<u>171,120</u>
Total assets					<u><u>6,160,867</u></u>
<b>Other information</b>					
Depreciation and amortisation	1,294	644	40,803	7,519	50,260
Provision of impairment of goodwill	–	–	11,142	–	11,142

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

**(b) Geographical segments**

	Hong Kong 2015 HK\$'000	PRC and others 2015 HK\$'000	2015 HK\$'000
Revenue	<u>362,420</u>	<u>129,503</u>	<u>491,923</u>
Non-current assets*	<u>513,350</u>	<u>1,073,807</u>	<u>1,587,157</u>
	Hong Kong 2014 HK\$'000	PRC and others 2014 HK\$'000	2014 HK\$'000
Revenue	<u>273,008</u>	<u>228,622</u>	<u>501,630</u>
Non-current assets*	<u>428,216</u>	<u>1,115,016</u>	<u>1,543,232</u>

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



#### 4. OTHER GAINS – NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	5,764	210,918
Reversal of provision for constructive obligations of an associated company	8,484	–
Gain/(loss) on disposal of investment properties	79	(53)
Fair value gains/(losses) on investment properties	17,909	(12,982)
Loss on disposal and write off of available-for-sale financial assets	–	(846)
Gain on disposal of financial assets at fair value through profit or loss	16,072	–
Net foreign exchange gain	831	3,498
	<u>49,139</u>	<u>200,535</u>

#### 5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Crediting</b>		
Write back of provision for doubtful debts	<u>261</u>	<u>–</u>
<b>Charging</b>		
Depreciation	33,305	48,910
Amortisation of leasehold land and land use rights	1,697	1,749
Cost of properties sold	3,121	19,073
Cost of inventories	–	63,034
Stockbroking commission and related expenses	61,643	41,300
Staff costs	198,594	244,065
Operating lease rental in respect of land and buildings	9,824	10,656
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,536	2,763
– other auditors	846	1,116
Non-audit services – the Company's auditor	248	201
Net loss on disposal of property, plant and equipment	35	57
Provision for impairment of goodwill	–	11,142
Provision for obsolete stock	–	332
Provision for doubtful debts	–	175

## 6. TAXATION

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong profits tax		
Current	<b>24,175</b>	15,163
Over-provision in previous years	<b>(918)</b>	(298)
Overseas taxation		
Current	<b>2,119</b>	1,301
(Over)/under-provision in previous years	<b>(68)</b>	21
Land appreciation tax	<b>207</b>	746
Deferred taxation	<b>3,031</b>	(7,385)
Taxation charge	<b><u>28,546</u></b>	<b><u>9,548</u></b>

## 7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$134,862,000 (2014: HK\$211,091,000). The basic earnings per share is based on the weighted average number of 1,403,892,601 (2014: 1,399,191,642) shares in issue during the year.

The Company has share options outstanding for the year 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 3,166,858 (2014: 8,272,115) dilutive potential ordinary shares.

## 8. DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share, totaling HK\$14,190,000 (2014: HK\$21,010,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 27th May 2016. These financial statements do not reflect this final dividend payable.

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proposed final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share	<b><u>14,190</u></b>	<b><u>21,010</u></b>

## 9. TRADE RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	<b>50,498</b>	71,339
Due from stockbroking clients	<b>100,067</b>	162,644
Trade receivables	<b>23,936</b>	20,773
	<b>174,501</b>	254,756
Provision for impairment	<b>(15,500)</b>	(16,506)
	<b>159,001</b>	238,250

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.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-30 days	<b>157,866</b>	236,512
31-60 days	<b>555</b>	1,299
61-90 days	<b>51</b>	367
Over 90 days	<b>529</b>	72
	<b>159,001</b>	238,250

## 10. TRADE AND OTHER PAYABLES

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Due to stockbrokers and dealers	<b>86,709</b>	12,957
Due to stockbroking clients	<b>2,875,589</b>	2,023,245
Trade payables	<b><u>156,262</u></b>	<u>128,519</u>
Total trade payables	<b>3,118,560</b>	2,164,721
Advance receipts from customers	<b>9,029</b>	3,653
Accruals and other payables	<b><u>145,004</u></b>	<u>223,915</u>
	<b><u><u>3,272,593</u></u></b>	<u><u>2,392,289</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\$2,791,106,000 (2014: HK\$1,656,587,000).

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>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0-30 days	<b>144,893</b>	113,881
31-60 days	<b>1,912</b>	2,453
61-90 days	<b>2,014</b>	4,156
Over 90 days	<b><u>7,443</u></b>	<u>8,029</u>
	<b><u><u>156,262</u></u></b>	<u><u>128,519</u></u>

## **MARKET OVERVIEW**

The global economy in 2015 was tumultuous. In the US, the market was volatile with uncertainties about the timing and continuity of interest rate hikes and its economic outlook. In Europe, the market was mixed with the concern of deflation and economic recovery. The enlarged stimulus monetary measures further extended uncertainties among the areas when approaching the end of the year. Global market anxiety has been heightened by concerns about the ramifications of conflicts in the Middle East, terrorism in Europe and the US, significant drops in commodity prices and deceleration in economic growth in emerging markets. Against this backdrop, investors react irrationally to any bad news from China.

In 2015, volatility of the stock market in China was immense and significantly influencing. The Shanghai Composite Index rose to a seven-year high to above 5,100 points in the middle of the year, tracking expectations of supportive government measures on the financial market and property market. The market then corrected due to tightening of margin trading rules and worries about economic slowdown. The market was further deepened with concern about the outlook of the Chinese economy after the launch of a series of supportive measures in financial market by the government in July and the one-off devaluation of the Renminbi in August.

In Hong Kong, the Hang Seng Index dropped 7.2% from 23,605 points in 2014 to 21,914 points in 2015. In early 2015, the market rose amid the stock market rally in China. The market was optimistic with benefit from Shanghai-Hong Kong Stock Connect and speculations about supportive measures of the Central Government. Hang Seng Index rose to a seven-year high to over 28,000 points in the middle of the year. Daily market turnover increased sharply with a record high of HK\$291 billion reported in early April. However, in the middle of the year, the stock market fell heavily, with worries about the hard landing of the Chinese economy, the reduction in local consumption and the correction of local property market.

## **BUSINESS OVERVIEW**

Although 2015 was a challenging year, the Group, as a well-established corporation, was capable to capture the market rally of the year. We have leveraged on the market opportunities to expand our customer base and enlarge our margin loan portfolio within controllable risk appetite. During the year, we have upgraded our online trading system into a more reliable and efficient platform and consolidated various trading channels, tracking to the contemporary customer trading pattern. Devoted to provide full range of financial services to our customers, we have widened our products range and service scope of the Shanghai-Hong Kong Stock Connect system. Benefited from the robust market demand during the first half year, our stockbroking turnover and margin loan portfolio reported historical high. Thereafter, the market heavily dropped, which depressed our stockbroking and margin loan business and curtailed certain securities trading gain of our investment portfolio. Despite the market further declined on lingering uncertainties over the Chinese economic outlook, the Group was capable to react align the market pace and will 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 has also achieved respectable results for 2015. We acted as financial adviser to various Hong Kong listed companies on several transactions including privatisation and issue of new shares. We were also engaged by numerous renowned Hong Kong listed companies to act as independent financial adviser for cases including but not limited to general offers, issue of shares, acquisitions and disposals, and a variety of continuing connected transactions. Corporate financial service is part of the extensive financial services we offer. And our corporate finance division and our other divisions will continue to work hand-in-hand to generate synergy and strive for further success.

During 2015, property market conditions in the third and fourth-tier cities in China, where most of the Group's project located, were still challenging. Our property development and investment business was significantly hindered by the huge inventory level. During the year, sale of property was unsatisfactory and we have concentrated on completion of various outstanding property development projects. We aim to launch Phase III of Wuxi project and Phases A and B of Huangshan project in 2016 and look forward to improve the results of the property projects in the coming years.

After disposal of a major pharmaceutical investment in 2014, the Group is still seeking new direct investment opportunities. There are some good projects, but we target to focus on long term strategy to the best interest of our shareholders. Currently, we will concentrate our resources on the development of pharmaceutical/healthcare business and completion of our existing property development projects.

## **FINANCIAL REVIEW**

For the year ended 31st December 2015, the Group recorded a net profit attributable to shareholders of approximately HK\$135 million, representing a decrease of 36% from approximately HK\$211 million as reported in 2014. The reduction in net profit was mainly attributable to the recognition of an one-off gain on disposal of a pharmaceutical investment in 2014 amounting to approximately HK\$210 million. This impact was partially offset by the satisfactory result of our Financial Services Sector, contributing a nearly 50% increase in operating result as compared to last year. Basic earnings per share attributable to the shareholders of the Company reduced from HK15.09 cents in 2014 to HK9.61 cents in 2015. Revenue of the Group was approximately HK\$492 million, slightly decreased by 2% from 2014 due to reduction of revenue contribution from pharmaceutical business. Total net assets of the Group diminished slightly by 4% to approximately HK\$3.2 billion after recognition of fair value loss from indirect investment in the listed shares of Shenwan Hongyuan (H.K.) Limited. The Group's return on equity (net profit to shareholders' fund) was 4.3%, dropped slightly, comparing with 6.3% as reported in last year.

### **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. Operating profit from Financial Services Sector was satisfactory, with a nearly 50% increase from 2014. This mainly reflects the notable uplift in trading activities in Hong Kong stock market during the first half of 2015.

During the reporting year, the trading activities of Hong Kong stock market rose significantly with average market daily turnover boosted by 52% from HK\$69 billion in 2014 to HK\$106 billion in 2015. Despite keen competition, with enhancement of our online trading platform and expansion of covering channels, including internet, mobile and FIX, we were able to catch up with the market pace and reported satisfactory growth in revenue from stock brokerage and margin financing business.

Improve in market confidence and expansion of customer base drives increase in margin loan demand. In 2015, average margin loan portfolio boost from HK\$667 million in 2014 to HK\$1,223 million in 2015. This resulted in significant growth on interest income of more than 80% as compared to 2014.

Regarding our corporate finance business, we have focused on financial advisory cases during the reporting year. In 2015, 22 financial advisory cases were completed and 3 IPO cases were under processing. In addition, we have been engaged as compliance adviser of 6 listed companies. Advisory fee income has been increased by nearly 40% with increase in number of sizable independent financial advisory cases. While all IPO cases were yet to be completed, underwriting and placing income declined in 2015.

## **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 property, including residential, service apartment, commercial office, industrial office, hotel and recreation resort, mainly located at the third and fourth tier cities in PRC. Operating loss from Property and Hotel Sector reduced by 69%, attributable to the recognition of properties revaluation gain and reduction in depreciation charge on hotel facilities during the year.

In 2015, given the active fiscal policies and accommodative monetary measures implemented by the Central Government, the property market condition was improved when compared with last year. The market turnover and selling prices rebounded, in particular in the first-tier cities where rapid price increment was reported. However, the properties market was still suffered from oversupply and high inventories especially at third and fourth tier cities. During 2015, no new property development project was completed and put to the market by the Group. Revenue from sale of properties dropped by 83% as compared to 2014. Reducing inventory level is the key target of the Group for 2016.

Our property investment and management business, one of the steady income generator of the Group, reported slight increase in revenue by 4% from 2014. For investment properties held by the Group, located mainly at the second-tier cities, they incurred slight valuation gain in 2015, when compared with a valuation loss made last year.

Revenue from hotel and golf operation remained steady during the year. The hotel room revenue had slightly decreased due to the decrease in average room rate. On the other hand, food and beverage revenue increased mainly attributable to increase in number and size of banquets engaged.

## **Direct Investment**

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. The existing investment strategy will continue to focus on pharmaceutical and healthcare business. Operating profit from Direct Investment Sector decreased by 91% with recognition of an one-off gain on disposal of a pharmaceutical investment in 2014.

Revenue of Direct Investment Sector dropped dramatically by 94% in 2015, mainly attributable to the reduction of contribution from pharmaceutical business, after disposal of a major subsidiary in 2014. Revenue from other businesses remained steady during the year.

China Assets (Holdings) Limited (“China Assets”) remained as our major investment in Direct Investment Sector in 2015. During the year ended 31st December 2015, net profit after tax attributable to the Group from China Assets was approximately HK\$22 million, mainly attributable to profit from partial disposal of shares in a pharmaceutical company listed in Shanghai.

## **PROSPECTS**

Looking ahead in 2016, economic recovery is expected to remain weak and the global economy is still uncertain and challenging. China has the financial means to continue its economic stimulus and we expect the Central Government to deepen its economic reform and further develop the financial market.

Along with the economic reform, challenges are unprecedented while substantial development opportunities exist. 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. 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 expansion.

Despite impacts of the slowdown in the Chinese economy, the Chinese government will try to stabilize the property market in 2016. We expect China will launch market-oriented approach policies, leading to a healthier industrial growth. Nevertheless, imbalances in demand and supply, structural surplus in capacity and high inventory levels will continue to restrain the property market. Therefore, inventory clearance will remain our primary focus.



Regarding the Direct Investment Sector, we will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare sectors, 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 recommends the payment of a final dividend of HK\$0.01 (2014: HK\$0.015) per ordinary share, totaling HK\$14,190,000 (2014: HK\$21,010,000), which together with the interim dividend payment amounts to a total of HK\$14,190,000 (2014: HK\$21,010,000) for the year ended 31st December 2015.

## **SUBSEQUENT EVENTS**

On 22nd January 2016, the Group entered into an agreement with a purchaser, which is a corporate wholly-owned by Mr. Lo, the Chairman of the Company, and his family members, to dispose of the Group's entire interest in China Assets for a cash consideration of approximately HK\$104 million. The transaction is subject to the independent shareholders approval at the extraordinary general meeting to be held on 7th April 2016. Based on the latest financial information available of China Assets for the year ended 31st December 2015, it is currently expected that the Group will record an accounting loss on disposal of approximately HK\$119 million. Such accounting loss is non-cash in nature and would not have any material adverse impact on the current and future cash flows and business operations of the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 23rd May 2016 to Friday, 27th May 2016, 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, 20th May 2016.

## **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 2015.

## **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 2015, 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 2015.

## **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 2015.

## **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 “Corporate Information – Results Announcements”. The 2015 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 “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, 24th March 2016