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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 2015

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2015 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2015 HK\$'000	2014 HK\$'000
Revenue	4	302,989	220,535
Cost of sales		(87,606)	(100,939)
Gross profit		215,383	119,596
Other gains — net	5	6,546	1,661
Selling, general and administrative expenses		(150,179)	(122,285)
Operating profit/(loss)	4 and 6	71,750	(1,028)
Finance income		7,399	9,876
Finance costs		(12,281)	(7,567)
Finance (costs)/income — net		(4,882)	2,309
Share of results of			
— Associated companies		27,246	5,583
— Joint ventures		5,388	5,820
Profit before taxation		99,502	12,684
Taxation	7	(11,759)	(9,915)
Profit for the period		87,743	2,769
Attributable to:			
Shareholders of the Company		91,292	5,461
Non-controlling interests		(3,549)	(2,692)
		87,743	2,769
Earnings per share attributable to shareholders of the Company			
— Basic	8	HK6.52 cents	HK0.39 cents
— Diluted	8	HK6.46 cents	HK0.39 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	87,743	2,769
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
— Fair value loss on available-for-sale financial assets	(53,591)	(4,100)
— Exchange reserve realised upon disposal of a subsidiary	(5,764)	—
— Currency translation differences	(11,846)	(11,654)
— Share of post-acquisition reserves of an associated company	136,033	(6,186)
Other comprehensive income/(loss) for the period, net of tax	64,832	(21,940)
Total comprehensive income/(loss) for the period	152,575	(19,171)
Attributable to:		
Shareholders of the Company	156,059	(15,709)
Non-controlling interests	(3,484)	(3,462)
	152,575	(19,171)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		399,837	426,096
Investment properties		452,576	453,603
Leasehold land and land use rights		51,407	52,256
Investments in associated companies		514,253	351,152
Investments in joint ventures		255,545	250,074
Deferred tax assets		12,546	13,120
Available-for-sale financial assets		460,147	513,738
Loans and advances		8,252	7,925
Total non-current assets		2,156,689	2,070,090
Current assets			
Inventories		706,184	664,055
Loans and advances		1,827,263	977,113
Trade receivables	10	666,209	238,250
Other receivables, prepayments and deposits		75,502	142,543
Tax recoverable		11,412	6,838
Financial assets at fair value through profit or loss		42,680	33,732
Deposits with banks		2,895	7,584
Client trust bank balances		2,384,829	1,656,587
Cash and cash equivalents		245,840	364,075
Total current assets		5,962,814	4,090,777
Current liabilities			
Trade and other payables	11	3,313,610	2,392,289
Tax payable		50,688	35,970
Borrowings		1,007,931	101,550
Total current liabilities		4,372,229	2,529,809
Net current assets		1,590,585	1,560,968
Total assets less current liabilities		3,747,274	3,631,058
Non-current liabilities			
Deferred tax liabilities		56,192	61,245
Borrowings		272,631	284,862
Total non-current liabilities		328,823	346,107
Net assets		3,418,451	3,284,951
Equity			
Share capital		1,148,047	1,145,005
Reserves		2,187,192	2,063,006
Capital and reserves attributable to the Company's shareholders		3,335,239	3,208,011
Non-controlling interests		83,212	76,940
Total equity		3,418,451	3,284,951

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.

This unaudited condensed consolidated financial information was approved for issue by the Board on 28th August 2015.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2015 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 2014, 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 2014, 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:

- Securities investment
- Corporate finance and stockbroking
- 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 2015 are as follows:

	Unaudited					Group HK\$'000
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	8,402	231,215	1,775	58,941	2,656	302,989
Segment results	13,425	108,698	(12,260)	(17,530)	(4,996)	87,337
Unallocated net operating expenses						(15,587)
Operating profit						71,750
Finance costs — net						(4,882)
Share of results of						
— Associated companies	—	—	—	—	27,246	27,246
— Joint ventures	—	—	—	5,741	(353)	5,388
Profit before taxation						99,502

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 2014 are as follows:

	Unaudited					Group HK\$'000
	Securities investment HK\$'000	Corporate finance and stockbroking HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	(5,749)	104,585	12,520	61,753	47,426	220,535
Segment results	(5,179)	41,963	(10,784)	(9,898)	(1,077)	15,025
Unallocated net operating expenses						(16,053)
Operating loss						(1,028)
Finance income — net						2,309
Share of results of						
— Associated companies	—	—	—	—	5,583	5,583
— Joint ventures	—	—	—	5,222	598	5,820
Profit before taxation						12,684

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

The unaudited segment assets of the Group as at 30th June 2015 are as follows:

	Unaudited					Group
	Securities investment	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	41,629	5,003,713	785,571	919,935	506,293	7,257,141
Investments in associated companies	—	—	—	—	514,253	514,253
Investments in joint ventures	—	—	—	213,474	42,071	255,545
Tax recoverable						11,412
Deferred tax assets						12,546
Corporate assets						68,606
Total assets						<u>8,119,503</u>

The audited segment assets of the Group as at 31st December 2014 are as follows:

	Audited					Group
	Securities investment	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	44,907	3,048,657	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						171,120
Total assets						<u>6,160,867</u>

5. OTHER GAINS — NET

	Unaudited	
	Six months ended 30th June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	5,764	448
Fair value (losses)/gains on investment properties	(6,682)	2,080
Net foreign exchange gain/(loss)	7,464	(867)
	<u>6,546</u>	<u>1,661</u>

6. OPERATING PROFIT/(LOSS)

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

	Unaudited	
	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Charging:		
Depreciation	19,996	24,794
Amortisation of leasehold land and land use rights	856	883
Staff costs	113,478	91,258
	<u>113,478</u>	<u>91,258</u>

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited	
	Six months ended 30th June	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong profits tax		
— Current	14,737	6,044
— Over-provision in previous years	—	(10)
Overseas profits tax		
— Current	675	2,696
— (Over)/under-provision in previous years	(52)	93
Land appreciation tax	75	—
Deferred taxation	(3,676)	1,092
	<u>11,759</u>	<u>9,915</u>
Taxation charge		

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$91,292,000 (2014: HK\$5,461,000). The basic earnings per share is based on the weighted average number of 1,400,939,255 (2014: 1,398,913,012) shares in issue during the period.

The Company has share options outstanding during the period 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 (2014: 3,708,682) dilutive potential ordinary shares.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2015 (2014: Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
Due from stockbrokers and clearing houses	382,772	71,339
Due from stockbroking clients	279,805	162,644
Trade receivables	<u>20,120</u>	<u>20,773</u>
	682,697	254,756
Provision for impairment	<u>(16,488)</u>	<u>(16,506)</u>
	<u>666,209</u>	<u>238,250</u>

All trade receivables are either repayable within one year or on demand. The fair value of the Group's 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 2015 and 31st December 2014, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2015 HK\$'000	Audited 31st December 2014 HK\$'000
0–30 days	664,995	236,512
31–60 days	502	1,299
61–90 days	357	367
Over 90 days	<u>355</u>	<u>72</u>
	<u>666,209</u>	<u>238,250</u>

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2015 <i>HK\$'000</i>	Audited 31st December 2014 <i>HK\$'000</i>
Due to stockbrokers and dealers	46,376	12,957
Due to stockbroking clients	2,917,828	2,023,245
Trade payables	<u>152,927</u>	<u>128,519</u>
Total trade payables	3,117,131	2,164,721
Advance receipts from customers	7,465	3,653
Accruals and other payables	<u>189,014</u>	<u>223,915</u>
	<u>3,313,610</u>	<u>2,392,289</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 Group's 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\$2,384,829,000 (31st December 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.

At 30th June 2015 and 31st December 2014, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2015 <i>HK\$'000</i>	Audited 31st December 2014 <i>HK\$'000</i>
0–30 days	140,275	113,881
31–60 days	3,893	2,453
61–90 days	1,322	4,156
Over 90 days	<u>7,437</u>	<u>8,029</u>
	<u>152,927</u>	<u>128,519</u>

BUSINESS OVERVIEW

During the first half of 2015, global markets experienced high volatility and the performance of financial markets among countries were mixed. Most stock indexes hit record highs, despite that there had been fluctuations due to concerns over the slowdown of the Chinese economy, early interest rate hike and the Greek bailout. In the US, economic recovery remains strong and the US Federal Reserve Board continued to discuss a move to normalize monetary policy with an expected interest rate rise before the end of the year. This contrasted with the eurozone implementing its asset purchase program earlier in the year. The financial markets in Europe remained volatile under the shadows of the Greek debt crisis and the political issues concerning Russia and Ukraine. In Asia, the Japanese government continued to implement accommodative monetary and weak Yen policy which did provide certain support to its economic growth. The Chinese economy, despite the vigorous economic structural reform initiated by the Central Government and the issuance of “One Belt, One Road” policy, still experienced sluggish growth rate. On the other hand, the A-share market experienced rapid rise till May 2015 tracking with the monetary easing measures and loosening of policies including relaxation of restrictions on opening securities accounts and borrowing from stockbrokers. In Hong Kong, unemployment rate remained low and property market continued to report steady growth. The overall economy grew moderately, despite slipping domestic retail sales data was reported. The financial market was active but volatile. Both Hang Seng Index and Hang Seng China Enterprises Index rose significantly and market turnover was boomed under “new normal” path following the rally A-share market. However, during the latter part of the reporting period, with reference to the unsatisfactory economic data announced, market sentiment seems to be wavered in further slow-down of economic growth rate, burst of valuation bubble and risk of deleveraging of the booming margin financing. The market reacted vigorously and significant adjustment on the financial market was encountered.

For the six months ended 30th June 2015, the Group achieved consolidated net profit attributable to shareholders of the Company of approximately HK\$91 million, representing an over 15 times growth from the corresponding period in 2014. This remarkable result was mainly driven by the satisfactory performance of the Financial Services Sector, marking with the significant market growth and business expansion, especially on securities brokerage and margin financing businesses. China Assets (Holdings) Limited (“China Assets”), a listed associate of the Group, also contributed significant growth during the reporting period. It was primarily due to the profit realised from disposal of part of its investment in a pharmaceutical company listed in Shanghai, Shandong LuKang Pharmaceutical Company Limited (“LuKang”). On the other hand, results of the Property and Hotel Sector continued to linger our overall performance due to slow sales of inventory of our property projects. The Group’s revenue was increased by 37% from approximately HK\$221 million in 2014 to approximately HK\$303 million for the six months ended 30th June 2015, attributable to expansion of securities brokerage and margin financing business. Total net assets of the Group raised by 4% from approximately HK\$3,285 million as at 31st December 2014 to approximately HK\$3,418 million as at 30th June 2015 due to the recognition of increase in valuation reserve of China Assets for an increase in fair value on its remaining shareholding in LuKang.

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

The Hong Kong financial market experienced a very volatile year in 2015. At the beginning of the year, worries about timing of an interest rate hike in the US and the slow-down economy in China, both Hang Seng Index and trading volume remained subdued, despite the gradual increase in trading activities through the Shanghai-Hong Kong Stock Connect. However, since April, amid the rally A-share market, Hang Seng Index hit a seven-year high of over 28,000 and closed at 26,250 on 30th June 2015. Daily market turnover and fund raising activities rose sharply with increment of 99% and 225% respectively for the first half of 2015.

During the reporting period, the Group seized the market opportunities with significant expansion of customer base and recorded notable increase in revenues from all aspects, including brokerage income, margin financing interest income and gain on securities investments. Operating results of the Financial Services Sector increased by 232% with boost in market turnover aligned with investors' optimism over the China economic reform and the market confidence with the rally A-share market. Income from margin financing business grew strongly driven by significant increase in margin loan portfolio at around 90% notwithstanding the market correction experienced since June 2015.

In the first half of 2015, our corporate finance division delivered a solid performance, with a focus on financial advisory deals. We acted as financial adviser to various Hong Kong listed companies, covering, among other transactions, an issuance of new shares and a very substantial disposal transaction. We also acted as the independent financial adviser for a variety of cases involving, such as (i) an acquisition from state-owned parent company of solar power and wind power generation business; (ii) an issuance of A shares; and (iii) a general offer. We continued to act as compliance advisers to a number of Hong Kong listed companies. We have several initial public offering and financial advisory cases, including but not limited to acting as a financial adviser in connection with a proposed privatisation of the H shares of an AH dual listed company, in the pipeline.

Property and Hotel

During the reporting period, the Central Government continued to implement various monetary easing measures including reduction of interest rate and reserve requirement ratio. Market sentiment of the property industry was gradually improved with selling price stabilised in the first and second tier cities. However, situation at the third and fourth tier cities, of which most projects of the Group are located, remained constrained due to high inventory level and weak local demand.

For the first half of 2015, operating results was still dulled, despites gradual stabilisation of property price which reduced fair value loss. During the reporting period, the Group focused on development of phase one of Huangshan project and the sales of property were behind budget. Revenue from property rental and hotel business remained steady, mainly attributed from Wuxi projects. Revenue from the golf club in Paris declined due to poor weather. Capital expenditure for property development projects incurred for the period was approximately HK\$51 million.

Direct Investment

China Assets is the major investment of our Direct Investment Sector. During the first half of 2015, it has reported encouraging results with an increase in net profit of around 370% after recognition of profit realised from disposal of its partial investment in LuKang. The total net profit after tax attributable to the Group from China Asset was approximately HK\$27 million. The Group has also recognised approximately HK\$136 million on sharing of investment reserve in relation to the remaining portion of shareholding in LuKang held by China Assets.

PROSPECTS

Looking ahead, the global economy will remain moderate and uneven. In the face of uncertainty clouding the interest rate hike in the US and continuous deleveraging of the Chinese financial market, the economic downside risk of China will persist. The market will keep track with the effectiveness of policies introduced by the Central Government aimed at boosting the economy and stabilising the financial market. The recent reduction on interest rate and reserve requirement ratio will boost demand and avoid a hard landing for the Chinese economy. We expect the devaluation of Renminbi on 11th August 2015 will help export industries to be more competitive. It is expected that China will launch continuous fiscal and monetary reform in the second half of the year, including structural reform of the stock market and state-owned enterprises. The challenge for the Central Government will be to recover public trust in its ability to govern capital markets but refrain from intervening so dramatically in the future. Despite facing economic headwinds both in Hong Kong and mainland China, we remain conservatively optimistic with the long term prospects of the financial market and expect investment sentiment will be improved upon the launch of Shenzhen-Hong Kong Stock Connect.

Amid the intense competition, we expect squeezing on brokerage commission rate will pose continuous challenges to our business. We will continue to upgrade our online trading platform and enlarge target customer base. We will also maintain a cautious approach regarding the credit control of our margin financing business. 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 property market is coming out of the doldrums and is expected to stabilise. We expect the Central Government will embrace relatively market-oriented approach policies, leading to a healthier industrial growth. Nevertheless, investment in properties is still declining. Imbalances in demand and supply, structural surplus in capacity and high inventory levels will continue to restrain the property market. Therefore, inventory clearance will continue to be the primary focus of our property projects in Wuxi and Huangshan. The design of our property projects in Zhongshan and Paris was completed and the construction work will commence before the end of the year.

Regarding the Direct Investment Sector, we will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare sectors. We may 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

For the six months ended 30th June 2015, the Group recorded a net profit attributable to shareholders of approximately HK\$91 million, representing an increase over 15 times over the corresponding period of 2014 of approximately HK\$5 million. Basic earnings per share attributable to the shareholders of the Company grew from HK0.39 cents in 2014 to HK6.52 cents in 2015. Revenue of the Group is approximately HK\$303 million, represents an increase of 37% over the same period of 2014.

Material acquisitions, disposals and significant investments

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

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our property projects and financial services business. As at 30th June 2015, the Group had raised bank loans of approximately HK\$1,281 million (31st December 2014: HK\$386 million) and held approximately HK\$249 million (31st December 2014: HK\$372 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 37% (31st December 2014: 11.8%). Investment in "financial assets at fair value through profit or loss" as at 30th June 2015 amounted to approximately HK\$43 million (31st December 2014: HK\$34 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group has no significant exposure to other foreign exchange fluctuations.

Pledge of assets

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$643 million (31st December 2014: HK\$661 million) and fixed deposits of approximately HK\$15 million (31st December 2014: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$301 million (31st December 2014: HK\$316 million) had been utilised.

Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in China. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 30th June 2015, total contingent liabilities relating to these guarantees amounted to approximately HK\$6 million (31st December 2014: HK\$6 million).

Human resources

As at 30th June 2015, the Group employed 654 (30th June 2014: 739) staff, of whom 509 are based in China. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the six months ended 30th June 2015 amounted to approximately HK\$113 million (30th June 2014: HK\$91 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited during the period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2015 (2014: Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to 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 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 internal control and financial reporting matter, including a review of the unaudited consolidated interim results for the six months ended 30th June 2015 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 2015.

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 2015 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, 28th August 2015