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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2014 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2014 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	3	501,630	459,579
Cost of sales		<u>(193,079)</u>	<u>(182,906)</u>
Gross profit		308,551	276,673
Other gains — net	4	200,535	548
Selling, general and administrative expenses		<u>(319,509)</u>	<u>(243,485)</u>
Operating profit	5	<u>189,577</u>	<u>33,736</u>
Finance income		19,026	15,715
Finance costs		<u>(19,697)</u>	<u>(16,953)</u>
Finance costs — net		<u>(671)</u>	<u>(1,238)</u>
Share of results of Associated companies		13,731	4,596
Joint ventures		<u>12,267</u>	<u>9,358</u>
Profit before taxation		214,904	46,452
Taxation	6	<u>(9,548)</u>	<u>(4,594)</u>
Profit for the year		<u>205,356</u>	<u>41,858</u>
Attributable to:			
Shareholders of the Company		211,091	42,540
Non-controlling interests		<u>(5,735)</u>	<u>(682)</u>
		<u>205,356</u>	<u>41,858</u>
Earnings per share for profit attributable to shareholders of the Company during the year			
— Basic	7	<u>HK15.09 cents</u>	<u>HK3.04 cents</u>
— Diluted	7	<u>HK15.00 cents</u>	<u>HK3.03 cents</u>
Dividends	8	<u>21,010</u>	<u>—</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year	<u>205,356</u>	<u>41,858</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
— Actuarial losses on retirement benefit obligations	<u>(867)</u>	<u>(27)</u>
<i>Items that may be reclassified to profit or loss</i>		
— Fair value gain on available-for-sale financial assets	312,028	16,014
— Capital reserve realised upon disposal of subsidiaries	—	(290)
— Exchange reserve realised upon disposal of subsidiaries	5,028	—
— Currency translation differences	(32,693)	37,053
— Share of post-acquisition reserves of an associated company	<u>57,189</u>	<u>31,987</u>
	<u>341,552</u>	<u>84,764</u>
Other comprehensive income for the year, net of tax	<u>340,685</u>	<u>84,737</u>
Total comprehensive income for the year	<u><u>546,041</u></u>	<u><u>126,595</u></u>
Attributable to:		
Shareholders of the Company	552,070	124,831
Non-controlling interests	<u>(6,029)</u>	<u>1,764</u>
	<u><u>546,041</u></u>	<u><u>126,595</u></u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Intangible assets		2,126	13,757
Property, plant and equipment		426,096	535,253
Investment properties		453,603	436,768
Leasehold land and land use rights		52,256	54,114
Investments in associated companies		351,152	279,921
Investments in joint ventures		250,074	244,972
Deferred tax assets		13,120	15,184
Available-for-sale financial assets		513,738	142,932
Loans and advances		7,925	10,856
		<hr/>	<hr/>
Total non-current assets		2,070,090	1,733,757
Current assets			
Properties under development		410,917	246,824
Properties held for sale		252,099	303,034
Inventories		1,039	8,405
Loans and advances		977,113	538,806
Trade receivables	9	238,250	242,042
Other receivables, prepayments and deposits		142,543	67,753
Tax recoverable		6,838	948
Financial assets at fair value through profit or loss		33,732	82,750
Deposits with banks		7,584	3,032
Client trust bank balances		1,656,587	1,400,313
Cash and cash equivalents		364,075	318,617
		<hr/>	<hr/>
Total current assets		4,090,777	3,212,524
Current liabilities			
Trade and other payables	10	2,392,289	1,693,375
Tax payable		35,970	37,725
Borrowings		101,550	82,976
		<hr/>	<hr/>
Total current liabilities		2,529,809	1,814,076
Net current assets		1,560,968	1,398,448
		<hr/>	<hr/>
Total assets less current liabilities		3,631,058	3,132,205
		<hr/>	<hr/>

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		61,245	69,008
Retirement benefit obligations		—	8,221
Borrowings		284,862	307,441
		<hr/>	<hr/>
Total non-current liabilities		346,107	384,670
		<hr/>	<hr/>
Net assets		3,284,951	2,747,535
		<hr/>	<hr/>
Equity			
Share capital		1,145,005	279,783
Share premium and capital redemption reserve		—	863,542
		<hr/>	<hr/>
		1,145,005	1,143,325
Other reserves		2,063,006	1,511,426
		<hr/>	<hr/>
Capital and reserves attributable to the Company's shareholders		3,208,011	2,654,751
Non-controlling interests		76,940	92,784
		<hr/>	<hr/>
Total equity		3,284,951	2,747,535
		<hr/>	<hr/>

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. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the 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 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.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 2014 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 as from the Company’s first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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:

- 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, properties under development, properties held for sale, 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

	Securities investment 2014 <i>HK\$'000</i>	Corporate finance and stockbroking 2014 <i>HK\$'000</i>	Property development 2014 <i>HK\$'000</i>	Property investment and hotel 2014 <i>HK\$'000</i>	Direct investment 2014 <i>HK\$'000</i>	Group 2014 <i>HK\$'000</i>
Income statement						
Revenue	13,849	258,195	18,530	122,008	89,048	501,630
Segment results	13,889	102,750	(8,521)	(49,018)	164,657	223,757
Unallocated net operating expenses						(34,180)
Operating profit						189,577
Finance costs — net						(671)
Share of results of						
— Associated companies	—	—	—	—	13,731	13,731
— Joint ventures	—	—	—	11,383	884	12,267
Profit before taxation						214,904
Balance sheet						
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						6,160,867
Other information						
Depreciation and amortisation	11	1,283	644	40,803	7,519	50,260
Provision for impairment of goodwill	—	—	—	11,142	—	11,142

Note: There were no sales among the operating segments.

	Securities investment 2013 HK\$'000	Corporate finance and stockbroking 2013 HK\$'000	Property development 2013 HK\$'000	Property investment and hotel 2013 HK\$'000	Direct investment 2013 HK\$'000	Group 2013 HK\$'000
Income statement						
Revenue	<u>30,358</u>	<u>203,730</u>	<u>25,764</u>	<u>108,148</u>	<u>91,579</u>	<u>459,579</u>
Segment results	<u>27,019</u>	<u>78,479</u>	<u>(12,818)</u>	<u>(43,639)</u>	<u>14,847</u>	63,888
Unallocated net operating expenses						<u>(30,152)</u>
Operating profit						33,736
Finance costs — net						(1,238)
Share of results of						
— Associated companies	—	—	—	—	4,596	4,596
— Joint ventures	—	—	—	8,372	986	<u>9,358</u>
Profit before taxation						<u>46,452</u>
Balance sheet						
Segment assets	98,286	2,324,211	665,380	986,453	312,183	4,386,513
Investments in associated companies	—	—	—	—	279,921	279,921
Investments in joint ventures	—	—	—	203,204	41,768	244,972
Tax recoverable						948
Deferred tax assets						15,184
Corporate assets						<u>18,743</u>
Total assets						<u>4,946,281</u>
Other information						
Depreciation and amortisation	10	1,385	1,165	38,634	1,990	43,184

Note: There are no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2014 HK\$'000	PRC and others 2014 HK\$'000	Group 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>
	Hong Kong 2013 HK\$'000	PRC and others 2013 HK\$'000	Group 2013 HK\$'000
Revenue	<u>233,895</u>	<u>225,684</u>	<u>459,579</u>
Non-current assets *	<u>360,432</u>	<u>1,215,209</u>	<u>1,575,641</u>

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

4. OTHER GAINS — NET

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	210,918	290
Loss on disposal of investment properties	(53)	(505)
Fair value losses on investment properties	(12,982)	(18,056)
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	—	12,048
Net foreign exchange gain	3,498	6,771
	<u>200,535</u>	<u>548</u>

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Crediting		
Net gain on disposal of property, plant and equipment	<u>—</u>	<u>980</u>
Charging		
Depreciation	48,910	41,744
Amortisation of leasehold land and land use rights	1,749	1,781
Cost of properties sold	19,073	26,121
Cost of inventories	63,034	68,959
Stockbroking commission and related expenses	41,300	26,455
Staff costs	244,065	191,607
Operating lease rental in respect of land and buildings	10,656	9,153
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	2,763	2,812
— other auditors	1,116	1,171
Non-audit services — the Company's auditor	201	268
Net loss on disposal of property, plant and equipment	57	—
Provision for impairment of goodwill	11,142	—
Provision for obsolete stock	332	324
Provision for doubtful debts	175	196

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong profits tax		
Current	15,163	10,714
(Over)/under-provision in previous years	(298)	88
Overseas taxation		
Current	1,301	1,153
Under-provision in previous years	21	233
Land appreciation tax	746	1,601
Deferred taxation	(7,385)	(9,195)
Taxation charge	<u>9,548</u>	<u>4,594</u>

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\$211,091,000 (2013: HK\$42,540,000). The basic earnings per share is based on the weighted average number of 1,399,191,642 (2013: 1,398,913,012) 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 8,272,115 (2013: 3,002,626) dilutive potential ordinary shares.

8. DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share, totaling HK\$21,010,000 (2013: HK\$Nil). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 22nd May 2015. These financial statements do not reflect this final dividend payable.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Proposed final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share	<u>21,010</u>	<u>—</u>

9. TRADE RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	71,339	73,169
Due from stockbroking clients	162,644	150,045
Trade receivables	20,773	35,413
Bills receivable	—	229
	<u>254,756</u>	<u>258,856</u>
Provision for impairment	(16,506)	(16,814)
	<u>238,250</u>	<u>242,042</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.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	236,512	234,254
31–60 days	1,299	4,182
61–90 days	367	2,865
Over 90 days	72	741
	<u>238,250</u>	<u>242,042</u>

10. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Due to stockbrokers and dealers	12,957	9,282
Due to stockbroking clients	2,023,245	1,530,571
Trade payables	<u>128,519</u>	<u>28,889</u>
Total trade payables	2,164,721	1,568,742
Advance receipts from customers	3,653	14,984
Accruals and other payables	<u>223,915</u>	<u>109,649</u>
	<u>2,392,289</u>	<u>1,693,375</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\$1,656,587,000 (2013: HK\$1,400,313,000).

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	113,881	10,342
31–60 days	2,453	4,644
61–90 days	4,156	4,475
Over 90 days	<u>8,029</u>	<u>9,428</u>
	<u>128,519</u>	<u>28,889</u>

BUSINESS OVERVIEW

The major financial markets were volatile in 2014 amid uncertainties over economic growth and concerns about the stimulus program of the Federal Reserve. The major central banks maintained interest rates at their unprecedented low levels. Although China delivered growth which surpassed most other major economies, expectations of slower growth in the future weighed heavily on market sentiment and contributed to significant commodity price falls. The United States, Europe and Japan recorded economic recovery at different paces. In the US, the DOW and S&P reached record high in 2014 on optimism about economic recovery and corporate earnings. The stimulus program of the Federal Reserve ended in October 2014. Though the timing of interest rate hikes remained uncertain, the Federal Reserve stated that it would keep interest rates at a low level for a considerable period of time. On the other hand, economic data of most of the European countries remained weak in 2014.

Against global uncertainties, Chinese GDP grew 7.4% in 2014. Moving away from the double-digit growth of the most recent decade, the Chinese economy has been facing notable downward pressure and has entered a stage known as the “new normal”, characterized by a balanced, high quality and sustainable economic growth in an orderly and well-thought-out manner. During the year, the Chinese stock market was one of the best performing markets worldwide, tracking various supportive government policies including reduction in interest rate, increase spending in infrastructure and internationalization of Renminbi.

In Hong Kong, the market fluctuated amid concerns over global economic uncertainties and the weakening of domestic retail sales. However, the financial market was benefited with general capital inflows and the launch of the Shanghai-Hong Kong Stock Connect in November 2014, indicating a historic breakthrough to the Hong Kong financial industry.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK\$211 million for the year ended 31st December 2014, representing a 396% growth from 2013. This encouraging result was mainly attributable to the recognition of a gain amounted to approximately HK\$210 million regarding disposal of one of our pharmaceutical investments. Another significant factor for the growth was the remarkable result reported by the Financial Services Sector due to encouraging performance of our securities brokerage and margin financing businesses. China Assets (Holdings) Limited (“China Assets”), a listed associate of the Group, also recorded increase in investment gain in 2014. However, the Chinese property market still suffered from oversupply and tightened liquidity in 2014, and the disappointed results of the Property and Hotel Sector continued to linger our overall performance. The Group’s revenue was increased by 9% from approximately HK\$460 million in 2013 to approximately HK\$502 million in 2014, attributable to expansion of securities brokerage and margin financing business. Total net assets of the Group raised by 20% from approximately HK\$2,748 million to approximately HK\$3,285 million in 2014 due to recognition of valuation gain from indirect investment in the listed shares of Shenyin Wanguo (H.K.) Limited.

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 Hang Seng Index and Hang Seng China Enterprises Index closed at 23,605 and 11,984 respectively on 31st December 2014, represented an increment of 1.3% and 10.8% respectively from 2013. Hong Kong stock market was volatile in 2014 and the average daily market turnover grew by 11% to HK\$69.5 billion. IPO activities remained vibrant with 122 new listings in 2014 raised totally approximately HK\$228 billion which made Hong Kong ranked the second in IPO activities worldwide. In the first quarter of the year, trading volume and market activities were hindered by a slowdown in economic growth in the Mainland and withdrawal of stimulus policies by the Federal Reserve. Thereafter, with the announcement of the Shanghai-Hong Kong Stock Connect and reduction in interest rate by the Central Government, the market sentiment turned around, with Hang Seng Index hit a six-year high in the second half of the year.

In 2014, the Group has recorded satisfactory contributions from both brokerage and margin financing businesses. Operating results of the Financial Services Sector increased by 11% with boost in market turnover aligned with investors' optimism over the China economic reform and the long term benefit from the launch of Shanghai-Hong Kong Stock Connect. Gain from margin financing business rose with significant expansion in margin loan portfolio at more than 80%. However, keen competition has restrained the profit margin of the Financial Services Sector. As more and more customers choose to transact online and through mobile devices, the Group has upgraded the integrated online trading platform covering securities dealing in various securities markets including Hong Kong, Shanghai A and B shares, Shenzhen B shares, United States and global futures markets.

Our corporate finance division remained an active and healthy player in the market. In 2014, we acted as financial adviser to listed companies for several fund raising exercises, including open offers and subscription of new shares, involving total gross fund raising amount of over HK\$4 billion. We also acted as independent financial adviser for a variety of transactions, including mergers and acquisitions and continuing connected transactions, of companies listed in Hong Kong. In addition, we were retained as compliance advisers to a number of companies newly listed in Hong Kong. Our corporate finance division, as an inseparable arm of our Financial Services Sector, shall continue to capitalise its expertise, network and other resources to strive for further success.

Property and Hotel

During the year, the Chinese property market underwent further downturn as a result of oversupply and tight funding channels. Selling price and transaction volume dropped in the first half of the year. This situation has slightly recovered in the second half of the year after relaxation of Home Purchasing Restriction policy and reduction of interest rate. Performance of different cities was highly differentiated. Property prices in the first tier cities have, at worst, been flat over the past year due to growth in population and economy, while the other cities were still suffering from oversupply and funding pressure. With most of our property projects located in the second and third tier cities, sales performance of the Property and Hotel Sector was unsatisfactory. Operating results for the year was hindered, despite a reduction of fair value loss recognised. To map out way of steady growth and better performance, the Group will continue to adjust its product mix with wider market location. While Huangshan project is approaching to completion, we expect performance of this Sector will be improved in 2015.

During the year, the Group has also made a provision for impairment on goodwill amounted to approximately HK\$11 million in relation to an investment with the property investment and hotel segment located in Europe after assessment of its recoverable amount which further hindered the operating result of this sector.

In 2014, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 2,000 square meters and HK\$19 million respectively. Capital expenditure for property projects incurred for the year was approximately HK\$182 million.

Direct Investment

China Assets is still the major investment of our Direct Investment Sector. During the year, the net profit after tax of China Assets attributable to the Group was approximately HK\$14 million after recognition of the disposal gains of its partial investment in a medical centre and portion of its investment in a pharmaceutical company listed in Shanghai. However, the overall performance was slightly affected by the unsatisfactory performance of a fund investment focusing in mining, energy or related industries in China.

During the year, the Group has reported a significant gain of approximately HK\$210 million from disposal of a pharmaceutical investment consisted an Italian pharmaceutical company. The Group made the investment in 2010 and reported an annualised return on equity of approximately 60%.

PROSPECTS

Global economic environment in 2015 remains challenging, and local economy is still facing worries of reduction in domestic retail sales and valuation concerns of the overheated local property market. The expectation of interest rate hikes in the US, continued stimulus measures taken by major central banks and geopolitical problems in certain regions will from time to time cause turbulence to the global financial markets.

The Central Government will work to unleash new growth vitality for its economy, which is under downward pressure. China will deepen reforms and explore new moves to make its economy more open and create a stable, fair, transparent and predictable business environment. The make-up of GDP growth will be altered to rely more on domestic consumption than investment, and more on domestic market competitiveness and trade than returning to a strong trade account heavily dependent upon global, particularly Western, consumption.

The launch of the Shanghai-Hong Kong Stock Connect in November 2014 allows Mainland Chinese to invest in Hong Kong securities directly, and grants offshore investors direct access to the Chinese stock market. The Shenzhen-Hong Kong Stock Connect will be the next phase in enlarging the scale of cross border financial activities. Confident with the affirmative policies implemented by the Central Government to escort a smooth economic reforms and a solid pace of Renminbi internationalization, we are optimistic with the financial market of Hong Kong in the coming years.

Amid the intense competition, we expect gradual squeezing on brokerage commission rate which will pose continuous challenges to our business. To safeguard a healthy business growth, we will continue to upgrade our online trading platform and to enlarge target client base. We will also maintain a cautious approach to the credit control of our margin financing business. Strong 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, form a solid platform for further expansion of our business. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to capture business opportunities, broaden client base and strengthen market niche by enhancing service quality and widening investment product range.

Due to widespread speculation and a lack of investment alternatives in the Chinese economy, real estate has played too great a role in China's economic development, and the correction of this problem will continue to dampen industrial growth in 2015, particularly in the secondary cities. Despite challenge of the property market will remain during the period of economic reform, we expect the Central Government will embrace relatively market-oriented approach policies, leading to a healthier industrial growth. We will make timely adjustments to our property development plan in response to market changes and to complete the property projects on hand so as to bring reasonable returns to the Group in the long term.

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

Results

For the year ended 31st December 2014, the Group recorded a net profit attributable to shareholders of approximately HK\$211 million, representing an increase of 396% over 2013 which was approximately HK\$43 million. Basic earnings per share attributable to the shareholders of the Company grew from HK3.04 cents in 2013 to HK15.09 cents in 2014. Revenue of the Group is approximately HK\$502 million, represents an increase of 9% from 2013.

Material acquisition and disposal of group companies

On 31st December 2014, the Group disposed its entire interest in two subsidiaries which principally engaged in pharmaceutical services for a cash consideration of approximately US\$25 million. The Group recorded a net gain on disposal of approximately HK\$210 million.

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 31st December 2014, the Group had raised bank loans of approximately HK\$386 million (2013: HK\$390 million) and held approximately HK\$372 million (2013: HK\$322 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 11.8% (2013: 14.2%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2014 amounted to approximately HK\$34 million (2013: HK\$83 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 group 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\$661 million (2013: HK\$676 million) and fixed deposits of approximately HK\$15 million (2013: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$316 million (2013: HK\$390 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 31st December 2014, total contingent liabilities relating to these guarantees amounted to approximately HK\$6 million (2013: HK\$1 million).

Human resources

As at 31st December 2014, the Group employed 661 staff, of whom 512 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 benefit/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 year ended 31st December 2014 amounted to approximately HK\$244 million (2013: HK\$192 million).

DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.015 (2013: HK\$Nil) per ordinary share, totaling HK\$21,010,000 (2013: HK\$Nil), which together with the interim dividend payment amounts to a total of HK\$21,010,000 (2013: HK\$Nil) for the year ended 31st December 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th May 2015 to Friday, 22nd May 2015, 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, 15th May 2015.

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 2014.

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 2014, 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 annual consolidated financial statements for the year ended 31st December 2014.

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 2014.

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 2014 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, 27th March 2015