

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



## 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 2013

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, associated companies and jointly controlled entities (together, the “Group”) for the six months ended 30th June 2013 together with the comparative figures for the corresponding period last year as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2013 HK\$'000	2012 HK\$'000
Revenue	4	221,173	172,395
Cost of sales		(97,538)	(71,057)
Gross profit		123,635	101,338
Other losses — net	5	(1,702)	(1,004)
Selling, general and administrative expenses		(110,734)	(109,423)
Operating profit/(loss)	4 and 6	11,199	(9,089)
Finance income		7,265	10,894
Finance costs		(7,963)	(11,359)
Finance costs — net		(698)	(465)
Share of profits less losses of			
— Associated companies		6,001	(25,517)
— Jointly controlled entities		4,873	4,915
Profit/(loss) before taxation		21,375	(30,156)
Taxation	7	2,627	(12,603)
Profit/(loss) after taxation		24,002	(42,759)
Loss attributable to minority investors of an investment fund		—	391
Profit/(loss) for the period		24,002	(42,368)
<b>Attributable to:</b>			
Shareholders of the Company		21,858	(37,803)
Non-controlling interests		2,144	(4,565)
		24,002	(42,368)
<b>Earnings/(losses) per share attributable to shareholders of the Company</b>			
— Basic	8	<u>HK1.56 cents</u>	<u>HK(2.70) cents</u>
— Diluted	8	<u>HK1.56 cents</u>	<u>HK(2.70) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2013</b>	<b>2012</b>
	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
Profit/(loss) for the period	<b>24,002</b>	(42,368)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
— Fair value gain on available-for-sale financial assets	<b>505</b>	23,230
— Capital reserve realised upon disposal of subsidiaries	<b>(290)</b>	—
— Currency translation differences	<b>12,334</b>	(8,140)
— Share of post-acquisition reserves of an associated company	<b>(7,811)</b>	(3,946)
Other comprehensive income for the period, net of tax	<b>4,738</b>	11,144
Total comprehensive income/(loss) for the period	<b>28,740</b>	(31,224)
<b>Attributable to:</b>		
Shareholders of the Company	<b>25,437</b>	(26,145)
Non-controlling interests	<b>3,303</b>	(5,079)
	<b>28,740</b>	(31,224)

## CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited</b>	<b>Audited</b>
	<b>30th June</b>	<b>31st December</b>
	<b>2013</b>	<b>2012</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Intangible assets	13,114	2,126
Property, plant and equipment	534,464	391,730
Investment properties	426,189	419,495
Leasehold land and land use rights	54,613	54,934
Investments in associated companies	240,622	241,473
Investments in jointly controlled entities	237,208	236,795
Deferred tax assets	14,704	15,682
Available-for-sale financial assets	127,386	126,890
Loans and advances	10,405	10,931
	<u>1,658,705</u>	<u>1,500,056</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Properties under development	235,115	222,830
Properties held for sale	314,588	347,975
Inventories	9,315	7,495
Loans and advances	586,967	494,804
Trade receivables	221,375	147,514
Other receivables, prepayments and deposits	48,049	42,055
Tax recoverable	338	896
Financial assets at fair value through profit or loss	71,736	235,691
Deposits with banks	5,236	2,847
Client trust bank balances	1,417,889	1,300,485
Cash and cash equivalents	348,635	326,668
	<u>3,259,243</u>	<u>3,129,260</u>
<b>Total current assets</b>		
<b>Current liabilities</b>		
Trade and other payables	1,735,286	1,545,356
Tax payable	40,938	36,851
Borrowings	87,714	14,799
	<u>1,863,938</u>	<u>1,597,006</u>
<b>Total current liabilities</b>		
<b>Net current assets</b>		
	<u>1,395,305</u>	<u>1,532,254</u>
<b>Total assets less current liabilities</b>		
	<u>3,054,010</u>	<u>3,032,310</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	68,053	65,432
Retirement benefit obligations	7,711	7,751
Borrowings	328,566	338,187
	<u>404,330</u>	<u>411,370</u>
<b>Total non-current liabilities</b>		
<b>Net assets</b>		
	<u>2,649,680</u>	<u>2,620,940</u>
<b>Equity</b>		
Share capital	279,783	279,783
Reserves	2,275,201	2,249,764
	<u>2,554,984</u>	<u>2,529,547</u>
Capital and reserves attributable to the Company's shareholders	2,554,984	2,529,547
Non-controlling interests	94,696	91,393
	<u>2,649,680</u>	<u>2,620,940</u>
<b>Total equity</b>		

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries, associated companies and jointly controlled entities (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 23rd August 2013.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2013 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 2012, 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 2012, 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.
- (c) The following Standard, amendments and interpretation to existing Standards have been issued but are not effective for financial year beginning 1st January 2013 and have not been early adopted:

	<b>Effective for accounting periods beginning on or after</b>
— HKAS 32 (Amendment) Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities;	1st January 2014
— HKAS 36 (Amendment) Recoverable amount disclosures for non-financial assets;	1st January 2014
— HKFRS 7 and 9 (Amendment)	1st January 2015
— HKFRS 9	1st January 2015
— HKFRS 10,12 and HKAS 27 (2011) (Amendment)	1st January 2014
— HK(IFRIC) — Int 21 Levies	1st January 2014

The Group has already commenced an assessment of the related impact of adopting the above Standard, amendments and interpretation to existing Standards to the Group. The Group is not yet in a position to state whether the above amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

#### 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 jointly controlled entities.

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 unaudited segment results of the Group for the six months ended 30th June 2013 are as follows:

	<b>Unaudited</b>					
	<b>Securities investment HK\$'000</b>	<b>Corporate finance and stockbroking HK\$'000</b>	<b>Property development HK\$'000</b>	<b>Property investment and hotel HK\$'000</b>	<b>Direct investment HK\$'000</b>	<b>Group HK\$'000</b>
Revenue	<u>15,986</u>	<u>87,651</u>	<u>20,691</u>	<u>47,756</u>	<u>49,089</u>	<u>221,173</u>
Segment results	<u>14,268</u>	<u>36,388</u>	<u>(8,598)</u>	<u>(36,349)</u>	<u>18,775</u>	<u>24,484</u>
Unallocated net operating expenses						<u>(13,285)</u>
Operating profit						<u>11,199</u>
Finance costs — net						<u>(698)</u>
Share of profits less losses of						
— Associated companies	—	—	—	—	6,001	6,001
— Jointly controlled entities	—	—	—	4,134	739	<u>4,873</u>
Profit before taxation						<u>21,375</u>

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

The unaudited segment results of the Group for the six months ended 30th June 2012 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	<u>(918)</u>	<u>76,312</u>	<u>6,060</u>	<u>51,403</u>	<u>39,538</u>	<u>172,395</u>
Segment results	<u>(5,714)</u>	<u>31,086</u>	<u>(8,145)</u>	<u>(8,297)</u>	<u>(3,591)</u>	5,339
Unallocated net operating expenses						<u>(14,428)</u>
Operating loss						(9,089)
Finance costs — net						(465)
Share of profits less losses of						
— Associated companies	—	—	—	—	(25,517)	(25,517)
— Jointly controlled entities	—	—	—	4,246	669	<u>4,915</u>
Loss before taxation						<u>(30,156)</u>

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

The unaudited segment assets of the Group as at 30th June 2013 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	
Segment assets	<b>87,910</b>	<b>2,349,579</b>	<b>652,080</b>	<b>973,055</b>	<b>323,556</b>	<b>4,386,180</b>
Investments in associated companies	—	—	—	—	<b>240,622</b>	<b>240,622</b>
Investments in jointly controlled entities	—	—	—	<b>196,336</b>	<b>40,872</b>	<b>237,208</b>
Tax recoverable						<b>338</b>
Deferred tax assets						<b>14,704</b>
Corporate assets						<b>38,896</b>
Total assets						<u><b>4,917,948</b></u>

The audited segment assets of the Group as at 31st December 2012 are as follows:

	Audited					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	
Segment assets	247,891	2,071,027	656,723	811,365	301,284	4,088,290
Investments in associated companies	—	—	—	—	241,473	241,473
Investments in jointly controlled entities	—	—	—	197,396	39,399	236,795
Tax recoverable						896
Deferred tax assets						15,682
Corporate assets						<u>46,180</u>
Total assets						<u><b>4,629,316</b></u>

## 5. OTHER LOSSES — NET

	Unaudited	
	Six months ended 30th June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	290	—
Loss on disposal of investment properties	(376)	(80)
Fair value losses on investment properties	(17,545)	(57)
Gain on disposal of financial assets at fair value through profit or loss	12,048	—
Net foreign exchange gain/(loss)	3,881	(867)
	<u>3,881</u>	<u>(867)</u>
	<u>(1,702)</u>	<u>(1,004)</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	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Charging:</b>		
Depreciation	16,552	21,221
Amortisation of leasehold land and land use rights	879	874
Staff costs	84,234	80,736
	<u>84,234</u>	<u>80,736</u>

## 7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 (credited)/charged to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30th June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
— Current	4,421	5,377
— Under/(over)-provision in previous years	88	(780)
Overseas profits tax		
— Current	803	8,503
— Under-provision in previous years	411	619
Deferred taxation	(8,350)	(1,116)
	<u>(8,350)</u>	<u>(1,116)</u>
Taxation (credit)/charge	<u>(2,627)</u>	<u>12,603</u>

## 8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of approximately HK\$21,858,000 (2012: Group's loss attributable to shareholders of approximately HK\$37,803,000). The basic earnings/(losses) per share is based on the weighted average number of 1,398,913,012 (2012: 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 4,000,897 dilutive potential ordinary shares.

Diluted losses per share for the six months ended 30th June 2012 is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

## 9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2013 (2012: Nil).

## 10. TRADE RECEIVABLES

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
Due from stockbrokers and clearing houses	95,523	15,991
Due from stockbroking clients	101,378	114,476
Trade receivables	38,922	29,551
Bills receivable	1,943	3,616
	<u>237,766</u>	<u>163,634</u>
Provision for impairment	(16,391)	(16,120)
	<u><u>221,375</u></u>	<u><u>147,514</u></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 2013 and 31st December 2012, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2013 HK\$'000	Audited 31st December 2012 HK\$'000
0-30 days	211,753	138,646
31-60 days	6,325	7,003
61-90 days	1,979	1,547
Over 90 days	1,318	318
	<u><u>221,375</u></u>	<u><u>147,514</u></u>



## 11. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	<b>30th June</b>	31st December
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
Due to stockbrokers and dealers	4,475	53,662
Due to stockbroking clients	1,599,261	1,361,263
Trade payables	<u>33,469</u>	<u>41,768</u>
Total trade payables	<b>1,637,205</b>	1,456,693
Advance receipts from customers	4,037	2,855
Accruals and other payables	<u>94,044</u>	<u>85,808</u>
	<b><u>1,735,286</u></b>	<b><u>1,545,356</u></b>

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\$1,417,889,000 (31st December 2012: HK\$1,300,485,000).

Trade and other payables are non-interest bearing except for amounts 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 2013 and 31st December 2012, the ageing analysis of trade payables is as follows:

	<b>Unaudited</b>	Audited
	<b>30th June</b>	31st December
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–30 days	9,955	7,734
31–60 days	5,249	4,396
61–90 days	3,063	4,563
Over 90 days	<u>15,202</u>	<u>25,075</u>
	<b><u>33,469</u></b>	<b><u>41,768</u></b>

## **BUSINESS REVIEW**

Economic growth remained muted while most major stock markets saw an upward trend in 2013. In Europe, the stock markets gave up some gains subsequently as worries over the Eurozone debt problem grew. There were concerns about the Cyprus bailout scheme and the political uncertainties in Italy. In the US, major stock indices once rose to record highs but retreated later on concerns over a tapering of the monetary stimulus in June. Emerging market equities underperformed during the first half of 2013. Expectations on weaker growth in China and other emerging markets continued to drag most emerging stock market indices lower during the period under review. Since the Chinese government was determined to pursue economic reforms and structural adjustments, economical growth in China, especially on foreign trade, was hindered.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK\$22 million for the six months ended 30th June 2013, comparing with a net loss of approximately HK\$38 million in the corresponding period of 2012. This mainly reflected the operating profit from our investment portfolio and the recognised gain from the disposal of an unlisted investment. Our securities brokerage income also reported slight increment, benefited from the increase in turnover of Hong Kong stock market. However, these impacts were partly offset by the valuation loss on certain investment properties of the Group. The total net assets of the Group increased slightly from approximately HK\$2,621 million as at 31st December 2012 to approximately HK\$2,650 million as at 30th June 2013.

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

### **Financial Services**

In 2013, the global financial market continued to be very volatile. While most major stock markets rose in early 2013, the markets of both Hong Kong and China tracked with decline trend. The US market reported record high on optimism about the economic outlook, the extension of debt limit and temporary resolve of fiscal cliff problem. The European market rebounded with the affirmative monetary easing policy and the reduction of interest rate to a record low level. The Japan market even rose dramatically buoyed by various monetary policies. The China market, with general supportive government measures to stabilise economic growth, rose at the beginning of the year. However, gains were then trimmed with general worries about the hard-landing of the economy. Hong Kong market, being highly connected with the China market, followed the same trend, with Hang Seng Index dropped by 8.2% from 31st December 2012 to 30th June 2013 at 20,803. However, with optimism on the general outlook for economic growth in China and speculation on a possible increase in foreign investors' quotas to invest in the China market, trading activities boosted, with average daily market turnover increased by 20% from the corresponding period of 2012 to HK\$68.3 billion.

In line with the increase in trading activities, brokerage commission increased during the reporting period. In addition, with the increase in margin loan size and thus increase in margin loan interest income, the overall brokerage business reported an operating profit of approximately HK\$36 million for the six months ended 30th June 2013, representing an increase of approximately 17% from the corresponding period of 2012. Performance of securities investment has improved satisfactorily resulting in an operating profit of approximately HK\$14 million in 2013, compared with an operating loss of HK\$6 million in the corresponding period of 2012.

The achievement of our corporate finance division was satisfactory in the first half of 2013. We acted as the sole sponsor and the sole bookrunner for the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited of Jin Cai Holdings Company Limited, the second largest cigarette package supplier in Jiangxi Province. Amidst the mediocre performance of the Hong Kong stock market, the initial public offering of our client was triumphant with its public offer shares significantly over-subscribed by more than 60 times. We also acted as independent financial advisers for several notable transactions conducted by Hong Kong listed companies, including the spin-off by a major Hong Kong properties listed company of its hotel properties in form of share stapled units structure and the acquisitions by an insurance conglomerate of certain insurance businesses in China. 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.

With a 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 and asset management, financial advisory and IPO sponsorships, we have a solid platform to further expand our business in the market. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to further capture business opportunities, broaden its client base and strengthen its market niche.

### **Property and Hotel**

Strict tightening policies continued to apply towards the China property market. Due to strong rigid demand on residential properties, sentiment of the property market showed signs of recovery, with both selling price and transaction volume recorded gentle rise in 2013. However, as the product category of the Group's property development projects is not focusing on residential area, performance of the Group's Property and Hotel Sector remains unsatisfactory. During the period, the Group has recognised approximately HK\$18 million valuation loss on the market price of certain investment properties. The Group is currently participating in six property projects with a total GFA (gross floor area) of 419,000 square meters. For the six months ended 30th June 2013, the Group's recognised GFA and sales amount were approximately 3,000 square meters and HK\$22 million respectively. Despite the difficult market situation, we will continue to complete the property projects on hand by phases according to the changing market conditions and remains conservatively optimistic about their long term benefit to the Group.

During the period, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France. The Management is confident that this acquisition will lay a solid foundation for the Group's future growth in recreation resort sector.

### **Direct Investment**

China Assets Holdings Limited ("China Assets") continues to be the major investment of our Direct Investment Sector. In 2013, the performance of China Assets has recovered and reported net gain after the disposal of an unlisted investment, when compared with a net loss recorded in 2012. For the six months ended 30th June 2013, China Assets recorded net profit attributable to the Group of approximately HK\$7 million.

Apart from the indirect investment in pharmaceutical and healthcare business through China Assets, the Group continues to invest in pharmaceutical business. Sirton Pharmaceuticals SpA, the Group's major presence in the European pharmaceutical industry, continued to contribute improving results.

## **PROSPECTS**

Given that the pace of global economic recovery is still slow, and high volatility is still expected, the global economic outlook is filled with challenges. The process of US Fed tapering, in terms of size and speed, remains an uncertainty. Also, we are confronted with uncertainties regarding scaling back of existing monetary measures of the US and Japan governments, the debt sustainability of Japan and European countries and the risk of reversal movement of capital flow from China. Nevertheless, the Chinese government will consistently maintain a balanced macro-economic policy and will persist with its proactive but moderate fiscal and monetary policies that will reinforce economic growth at a healthy momentum. Despite such cautious outlook, we believe that Hong Kong, capitalising with its advantage as an international financial centre and the largest offshore Renminbi business centre, will continue to offer opportunities for stable growth.

While adhering to its business strategy, the Group will closely monitor the macro economy and regulatory environment so as to effectively respond to changes in a timely manner. We will continue our efforts in setting up a firm base in the financial services and property development industries in Hong Kong and China. We will devote more efforts to enhance the quality of our products and services, capitalise on our professional team and refine our operational efficiency in order to strengthen market penetration and capture greater business opportunities in future. We will continue to pursue our aim of upgrading our IT systems and has launched a new online securities dealing system recently.

Regarding the Direct Investment Sector, we will continue to push forward our existing investment strategy focusing on pharmaceutical and healthcare business. We may also seek future opportunities to enlarge our presence in industries with advantage synergies with the aim to optimising returns to the Company and its shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

For the six months ended 30th June 2013, the Group recorded a net profit and basic earnings per share attributable to shareholders of the Company amounting to approximately HK\$22 million and HK1.56 cents respectively, compared with a net loss and basic losses per share attributable to shareholders of the Company of approximately HK\$38 million and HK2.70 cents respectively in the corresponding period of 2012. Revenue of the Group was approximately HK\$221 million, representing an increase by 28% over the same period of 2012.

### **Material acquisitions, disposals and significant investments**

On 27th June 2013, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France, at a cash consideration of EUR15 million.

## **Liquidity and financial resources**

The Group relies principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our various property projects and our financial services business. As at 30th June 2013, the Group had raised bank and other loans of approximately HK\$416 million (31st December 2012: HK\$353 million) and held approximately HK\$354 million (31st December 2012: HK\$330 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 15.7% (31st December 2012: 13.5%). Investment in "financial assets at fair value through profit or loss" as at 30th June 2013 amounted to approximately HK\$72 million (31st December 2012: HK\$236 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will maintain in a stable pattern for the remaining period of 2013. 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\$675 million (31st December 2012: HK\$665 million) and fixed deposits of approximately HK\$15 million (31st December 2012: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$416 million (31st December 2012: HK\$349 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 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 2013, total contingent liabilities relating to these guarantees amounted to approximately HK\$1 million (31st December 2012: HK\$2 million).

## **Human resources**

As at 30th June 2013, the Group employed 741 (30th June 2012: 794) staff, of whom 533 are based in the PRC. 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 six months ended 30th June 2013 amounted to approximately HK\$84 million (30th June 2012: HK\$81 million).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2013 (2012: 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“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 and composition 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 2013 for approval by the Board.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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 2013.

## **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 “Press Release — Results Announcements”. The 2013 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 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  
**LO Yuen Yat**  
*Chairman*

Hong Kong, 23rd August 2013