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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2012 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the audited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the year ended 31st December 2012 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	3	349,085	285,409
Cost of sales		(148,405)	(168,966)
Gross profit		200,680	116,443
Other (losses)/gains — net	4	(24,461)	84,830
Selling, general and administrative expenses		(233,535)	(222,599)
Operating loss	5	(57,316)	(21,326)
Finance income		19,770	19,572
Finance costs		(23,364)	(13,559)
Finance (costs)/income — net		(3,594)	6,013
Share of profits less losses of			
Associated companies		(52,708)	(16,940)
Jointly controlled entities		5,122	21,206
Loss before taxation		(108,496)	(11,047)
Taxation	6	3,161	(42,274)
Loss after taxation		(105,335)	(53,321)
(Profit)/loss attributable to minority investors of an investment fund		(657)	5,285
Loss for the year		<u>(105,992)</u>	<u>(48,036)</u>
Attributable to:			
Shareholders of the Company		(98,266)	(45,819)
Non-controlling interests		(7,726)	(2,217)
		<u>(105,992)</u>	<u>(48,036)</u>
Losses per share for loss attributable to shareholders of the Company during the year			
— Basic	7	<u>HK(7.02) cents</u>	<u>HK(3.28) cents</u>
— Diluted	7	<u>HK(7.02) cents</u>	<u>HK(3.28) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Loss for the year	<u>(105,992)</u>	<u>(48,036)</u>
Other comprehensive income/(loss)		
— Fair value gain/(loss) on available-for-sale financial assets	30,125	(66,451)
— Exchange reserve realised upon disposal of subsidiaries	—	1,121
— Actuarial losses on retirement benefit obligations	(674)	(274)
— Currency translation differences	271	41,919
— Share of post-acquisition reserves of an associated company	<u>(17,449)</u>	<u>(68,753)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>12,273</u>	<u>(92,438)</u>
Total comprehensive loss for the year	<u><u>(93,719)</u></u>	<u><u>(140,474)</u></u>
Attributable to:		
Shareholders of the Company	(86,231)	(143,035)
Non-controlling interests	<u>(7,488)</u>	<u>2,561</u>
	<u><u>(93,719)</u></u>	<u><u>(140,474)</u></u>

CONSOLIDATED BALANCE SHEET

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)	2010 <i>HK\$'000</i> (Restated)
<i>Note</i>			
Non-current assets			
Intangible assets	2,126	2,126	2,126
Property, plant and equipment	391,730	423,801	369,626
Investment properties	419,495	447,570	268,152
Leasehold land and land use rights	54,934	56,699	59,292
Investments in associated companies	241,473	308,486	383,914
Investments in jointly controlled entities	236,795	240,299	208,723
Deferred tax assets	15,682	14,043	10,152
Available-for-sale financial assets	126,890	96,763	162,587
Loans and advances	10,931	17,228	21,993
Total non-current assets	1,500,056	1,607,015	1,486,565
Current assets			
Properties under development	222,830	210,995	235,807
Properties held for sale	347,975	400,230	378,355
Inventories	7,495	5,501	555
Loans and advances	494,804	432,855	345,822
Trade receivables	147,514	70,195	205,736
Other receivables, prepayments and deposits	42,055	29,224	34,131
Tax recoverable	896	2,882	3,205
Financial assets at fair value through profit or loss	235,691	273,272	330,239
Deposits with banks	2,847	6,784	41,611
Client trust bank balances	1,300,485	1,524,807	1,143,906
Cash and cash equivalents	326,668	370,942	527,151
Total current assets	3,129,260	3,327,687	3,246,518
Current liabilities			
Trade and other payables	1,545,356	1,760,025	1,552,847
Tax payable	36,851	33,507	29,209
Borrowings	14,799	201,394	27,030
Net assets attributable to holders of redeemable participation shares	—	14,715	—
Total current liabilities	1,597,006	2,009,641	1,609,086
Net current assets	1,532,254	1,318,046	1,637,432
Total assets less current liabilities	3,032,310	2,925,061	3,123,997
Non-current liabilities			
Deferred tax liabilities	65,432	81,763	48,110
Retirement benefit obligations	7,751	7,485	—
Borrowings	338,187	121,154	206,832
Total non-current liabilities	411,370	210,402	254,942
Net assets	2,620,940	2,714,659	2,869,055
Equity			
Share capital	279,783	279,783	279,783
Reserves	2,249,764	2,335,995	2,492,095
Capital and reserves attributable to the Company's shareholders	2,529,547	2,615,778	2,771,878
Non-controlling interests	91,393	98,881	97,177
Total equity	2,620,940	2,714,659	2,869,055

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

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets and financial assets at fair value through profit or loss.

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.

(a) Changes in accounting policy

HKAS 12 (Amendment), “Income Tax”, is effective for annual periods beginning on or after 1st January 2012. It introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. It requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale.

HKAS 12 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2012 in accordance with the effective date of the amendment. The Group has re-measured the deferred tax relating to certain investment properties according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively.

The effect of the adoption of this amendment is as follows:

	2012 <i>HK\$’000</i>	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Consolidated balance sheet			
Increase in deferred tax liabilities	17,925	28,727	10,683
Decrease in retained earnings	(14,420)	(22,864)	(5,764)
Increase/(decrease) in exchange fluctuation reserve	7	(814)	—
Decrease in non-controlling interests	(3,512)	(5,049)	(4,919)

	2012 HK\$'000	2011 HK\$'000
Consolidated income statement		
(Decrease)/increase in income tax expenses	(9,981)	17,230
Decrease/(increase) in net loss attributable to shareholders of the Company	8,444	(17,100)
Decrease/(increase) in net loss attributable to non-controlling interests	1,537	(130)
Decrease/(increase) in basic losses per share	HK0.60 cents	HK(1.23) cents
Decrease/(increase) in diluted losses per share	HK0.60 cents	HK(1.23) cents

There are no other amendments, revisions or interpretations to existing Standards that are effective for the financial year beginning on or after 1st January 2012 that would be expected to have a material impact on the Group.

(b) Standards, amendments and interpretation to existing Standards that are not yet effective and have not been adopted by the Group

The following Standards, amendments and interpretation to existing Standards have been issued but are not effective for the financial year beginning 1st January 2012 and have not been early adopted:

	Effective for accounting periods beginning on or after
— HKAS 1 (Amendment)	1st July 2012
— HKAS 19 (Amendment)	1st January 2013
— HKAS 27 (2011)	1st January 2013
— HKAS 28 (2011)	1st January 2013
— HKAS 32 (Amendment)	1st January 2014
— HKFRS 1 (Amendment)	1st January 2013
— HKFRS 7 (Amendment)	1st January 2013
— HKFRS 7 and 9 (Amendment)	1st January 2015
— HKFRS 9	1st January 2015
— HKFRS 10	1st January 2013
— HKFRS 10, 11 and 12 (Amendment)	1st January 2013
— HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	1st January 2014
— HKFRS 11	1st January 2013
— HKFRS 12	1st January 2013
— HKFRS 13	1st January 2013
— HK(IFRIC) — Int 20	1st January 2013
— Fourth Annual Improvements (2011) in June 2012	1st January 2013

The Group has already commenced an assessment of the related impact of adopting the above Standards, amendments and interpretation to existing Standards to the Group. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

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

(a) Operating segments

	Securities investment 2012 HK\$'000	Corporate finance and stockbroking 2012 HK\$'000	Property development 2012 HK\$'000	Property investment and hotel 2012 HK\$'000	Direct investment 2012 HK\$'000	Group 2012 HK\$'000
Income statement						
Revenue	<u>22,666</u>	<u>143,798</u>	<u>17,133</u>	<u>104,136</u>	<u>61,352</u>	<u>349,085</u>
Segment results	<u>15,289</u>	<u>44,191</u>	<u>(24,287)</u>	<u>(39,285)</u>	<u>(22,467)</u>	(26,559)
Unallocated net operating expenses						<u>(30,757)</u>
Operating loss						(57,316)
Finance costs — net						(3,594)
Share of profits less losses of						
— Associated companies	—	—	—	—	(52,708)	(52,708)
— Jointly controlled entities	—	—	—	3,542	1,580	<u>5,122</u>
Loss before taxation						<u>(108,496)</u>
Balance sheet						
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>4,629,316</u>
Other information						
Depreciation and amortisation	9	1,853	1,220	35,764	6,348	45,194

Note: There were no sales among the operating segments.

	Securities investment 2011 HK\$'000	Corporate finance and stockbroking 2011 HK\$'000	Property development 2011 HK\$'000	Property investment and hotel 2011 HK\$'000	Direct investment 2011 HK\$'000	Group 2011 HK\$'000
Income statement						
Revenue	<u>(57,317)</u>	<u>135,504</u>	<u>70,756</u>	<u>79,880</u>	<u>56,586</u>	<u>285,409</u>
Segment results	<u>(62,848)</u>	<u>39,464</u>	<u>11,671</u>	<u>42,076</u>	<u>(27,022)</u>	3,341
Unallocated net operating expenses						<u>(24,667)</u>
Operating loss						(21,326)
Finance income — net						6,013
Share of profits less losses of						
— Associated companies	—	—	—	—	(16,940)	(16,940)
— Jointly controlled entities	—	—	—	18,480	2,726	21,206
Loss before taxation						<u>(11,047)</u>
Balance sheet						
Segment assets	270,982	2,195,624	682,525	876,465	296,650	4,322,246
Investments in associated companies	—	—	—	—	308,486	308,486
Investments in jointly controlled entities	—	—	—	202,472	37,827	240,299
Tax recoverable						2,882
Deferred tax assets						14,043
Corporate assets						46,746
Total assets						<u>4,934,702</u>
Other information						
Depreciation and amortisation	7	1,957	1,130	32,662	7,487	43,243

Note: There are no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2012 HK\$'000	Chinese Mainland and others 2012 HK\$'000	Group 2012 HK\$'000
Revenue	<u>149,170</u>	<u>199,915</u>	<u>349,085</u>
Non-current assets *	<u>322,332</u>	<u>1,035,152</u>	<u>1,357,484</u>
	Hong Kong 2011 HK\$'000	Chinese Mainland and others 2011 HK\$'000	Group 2011 HK\$'000
Revenue	<u>80,009</u>	<u>205,400</u>	<u>285,409</u>
Non-current assets *	<u>389,390</u>	<u>1,106,819</u>	<u>1,496,209</u>

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

4. OTHER (LOSSES)/GAINS — NET

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Net loss on disposal of interests in subsidiaries	—	(806)
Loss on deemed disposal of an associated company	—	(836)
Gain on disposal of interests in an associated company	—	55
(Loss)/gain on disposal of investment properties	(40,443)	1,373
Fair value gains on investment properties	15,613	70,596
Gain on disposal of an available-for-sale financial asset	70	—
Net foreign exchange gain	299	14,448
	<hr/> (24,461) <hr/>	<hr/> 84,830 <hr/>

5. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Crediting		
Gain from a bargain purchase	—	3,790
Reversal of provision of obsolete stock	549	—
Reversal of provision for doubtful debts	302	—
Net gain on disposal of property, plant and equipment	942	—
	<hr/> 942 <hr/>	<hr/> — <hr/>
Charging		
Depreciation	43,838	41,303
Amortisation of leasehold land and land use rights	1,753	2,407
Cost of properties sold	14,557	42,167
Cost of inventories	63,346	50,203
Stockbroking commission and related expenses	14,959	21,248
Staff costs	168,900	151,705
Operating lease rental in respect of land and buildings	7,450	7,134
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	2,482	2,330
— other auditors	1,176	1,331
Non-audit services — the Company's auditor	295	226
Provision for doubtful debts	—	653
Net loss on disposal of property, plant and equipment	—	444
	<hr/> 438,923 <hr/>	<hr/> 428,106 <hr/>

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 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 (credited)/charged to the consolidated income statement represents:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Hong Kong profits tax		
Current	7,371	6,267
Over-provision in previous years	(1,455)	(180)
Overseas taxation		
Current	7,873	8,419
Under/(over)-provision in previous years	632	(39)
Deferred taxation	(17,582)	27,807
	<u>(3,161)</u>	<u>42,274</u>
Taxation (credit)/charge	<u>(3,161)</u>	<u>42,274</u>

7. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of HK\$98,266,000 (2011 restated: HK\$45,819,000). The basic losses per share is based on the weighted average number of 1,398,913,012 (2011: 1,398,913,012) shares in issue during the year.

Diluted losses per share for 2012 and 2011 are the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31st December 2012 and 2011.

9. TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	15,991	2,576
Due from stockbroking clients	114,476	39,258
Trade receivables	29,551	44,530
Bills receivable	3,616	1,110
	<u>163,634</u>	<u>87,474</u>
Provision for impairment	(16,120)	(17,279)
	<u>147,514</u>	<u>70,195</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 is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0–30 days	138,646	63,469
31–60 days	7,003	3,156
61–90 days	1,547	1,336
Over 90 days	318	2,234
	<u>147,514</u>	<u>70,195</u>

10. TRADE AND OTHER PAYABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Due to stockbrokers and dealers	53,662	30,719
Due to stockbroking clients	1,361,263	1,558,048
Trade payables	<u>41,768</u>	<u>100,977</u>
Total trade payables	1,456,693	1,689,744
Advance receipts from customers	2,855	4,304
Accruals and other payables	<u>85,808</u>	<u>65,977</u>
	<u>1,545,356</u>	<u>1,760,025</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\$1,300,485,000 (2011: HK\$1,524,807,000).

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 is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0–30 days	7,734	78,183
31–60 days	4,396	5,302
61–90 days	4,563	4,294
Over 90 days	<u>25,075</u>	<u>13,198</u>
	<u>41,768</u>	<u>100,977</u>

BUSINESS OVERVIEW

2012 was another challenging year for the Group. Slower growth in China, anxiety over the Eurozone and an anaemic recovery in the US impacted the financial market. China maintained in 2012 stringent regulatory policies on the property market including restrictions on property purchases, loans and prices. Despite the problems faced in exporting to western markets and attracting foreign direct investment, China nonetheless managed to maintain 7.8% GDP growth in 2012.

The Group reported consolidated net loss attributable to shareholders of the Company of approximately HK\$98 million for the year ended 31st December 2012, compared to a net loss of approximately HK\$46 million last year. The significant loss mainly reflected decrease in fair value of the Group's property projects and share of loss of its listed associated company. The Group's turnover increased by 22% from HK\$285 million in 2011 to HK\$349 million in 2012 attributable to the improved performance from securities investment.

Financial Services

The Hang Seng Index closed at 22,657 on 31st December 2012 which is 23% higher than 2011. However, the number of newly listed company decreased from 101 in 2011 to 64 in 2012, representing a reduction of 37%. Fund raised by IPOs declined substantially from HK\$259.8 billion in 2011 to HK\$89.8 billion in 2012. Trading in 2012 was considerably lower with an average daily market turnover of HK\$53.9 billion, a 22.8% decrease from 2011. This, combined with lower investor confidence, led to decrease in commission and fee income of our Financial Services Sector in 2012.

The Group has continued to develop the wealth management business by improving the service quality and introducing more investment products to clients. We have adopted a cautious approach to the credit control of margin portfolio while maintained the exposure in the margin finance business.

Our long-established corporate finance division is an inseparable arm of our Financial Services Sector and has continued to bolster our revenue stream primarily via the provision of services to Hong Kong listed companies. Despite that the Hong Kong IPO market in general was less active as compared with the preceding year, our corporate finance division remained an active and healthy player in the corporate financial advisory market in 2012. During the year, our corporate finance division continued to solidify industry position and broadened business network, where it acted as compliance advisors to four companies newly listed in Hong Kong and successfully completed 25 corporate financial advisory cases. On our business pipeline, we have already engaged in a variety of assignments, which include IPO sponsorships and other corporate financial advisor deals.

Property and Hotel

China witnessed a slowdown in economic growth in 2012. With the key goal of stabilizing economic growth, the central government eased certain monetary policies including lowering the deposit reserve ratio and cutting the interest rate. No further stringent regulatory policies on the property market was imposed in 2012 and there was sign of gradual recovery of property market in major cities. The Group's property development projects are however located in third tier cities and they are still suffering from the sluggish property market. During the year under review, demand for the commercial properties of our Wuxi projects is low and there is oversupply of hotel rooms in Wuxi. The residential and recreation resort projects in Huangshan and Zhongshan are still at development stage.

In 2012, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 11,000 square meters and HK\$17 million respectively. Capital expenditure for property projects incurred for the year was approximately HK\$19 million. The Group is currently participating in six projects with a total GFA of 419,000 square meters.

Direct Investment

China Assets (Holdings) Limited (stock code 170), the major investment of our Direct Investment Sector, reported a net loss after tax of approximately HK\$49 million in 2012. This was mainly due to significant provisions made during the year for several investment projects.

The Group's investment in the pharmaceutical business is still in the development stage. Sirton Pharmaceuticals SpA, the first pharmaceutical company set up by the Group in Europe, achieved breakeven result in its second year of operation. It has expanded its production capacity and client base during the year.

PROSPECTS

As we settle into 2013, we believe that the recent emergence from recession in major western countries will be sustained, and that the economic conditions will improve, even to the extent of a return to growth. Yet uncertainty remains around the prospects for the rest of this year.

The market sentiment continued to improve since the second half year of 2012 and there is an increase in market activities. The Group had redeemed in January 2013 its investment in a securities investment fund which offered a good return to the Group. 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.

Despite the difficult property market faced by the Group in recent years, we will continue to complete the property projects on hand which will bring reasonable returns to the Group in the long term.

Regarding the Direct Investment Sector, we will remain prudent in our investment strategy and continue to look for investment opportunities in pharmaceutical and healthcare business.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2012, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$98 million and HK7.02 cents respectively, compared with a net loss and basic losses per share attributable to the shareholders, after restatement, of approximately HK\$46 million and HK3.28 cents respectively in 2011. The restatement for 2011 result was mainly due to change of accounting policy as stipulated in Note 2 to the consolidated financial statements. Revenue of the Group is approximately HK\$349 million, represents an increase of 22% from 2011.

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 various property projects and our financial services business. As at 31st December 2012, the Group had raised bank and other loans of approximately HK\$353 million (2011: HK\$323 million) and held approximately HK\$330 million (2011: HK\$378 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 13.5% (2011: 11.9%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2012 amounted to approximately HK\$236 million (2011: HK\$273 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 in future. 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\$665 million (2011: HK\$1,017 million) and fixed deposits of approximately HK\$15 million (2011: HK\$16 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$349 million (2011: HK\$320 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 the Chinese Mainland. 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 2012, total contingent liabilities relating to these guarantees amounted to approximately HK\$2 million (2011: HK\$0.4 million).

Material acquisition and disposal of group companies

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

Employees

As at 31st December 2012, the Group employed 778 staff, of whom 593 are based in the Chinese Mainland. 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 2012 amounted to approximately HK\$169 million (2011: HK\$152 million).

DIVIDEND

The Board does not recommend the payment of a final dividend (2011: HK\$Nil) for the year ended 31st December 2012.

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 2012.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out 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 2012, except for the deviation from code provision A.2.1 and code provision A.6.7 of the CG Code.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. LO Yuen Yat holds both the positions of the Chairman of the Board and the Chief Executive Officer. 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 code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive director should attend general meeting of the Company. Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*, Prof. WOO Chia-Wei, Mr. LIU Ji and Mr. ZHOU Xiaohe did not attend the 2012 annual general meeting ("AGM") due to their other commitments. However, the Board believes that the presence of Mr. LO Yuen Yat, Mr. YEUNG Wai Kin and Mr. YU Qihao (an independent non-executive director) at the 2012 AGM allowed the Board to develop a balanced understanding of the views of shareholders.

The Audit Committee has reviewed the annual consolidated financial statements for the year ended 31st December 2012.

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. Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20th May 2013 to Friday, 24th May 2013, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 16th May 2013.

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 “Press Release — Results Announcements”. The 2012 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 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, 22nd March 2013