

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 2012

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith 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 2012 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30th June	
	Note	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenue	4	172,395	142,728
Cost of sales		(71,057)	(75,236)
Gross profit		101,338	67,492
Other (losses)/gains — net	5	(1,004)	66,631
Selling, general and administrative expenses		(109,423)	(106,966)
Operating (loss)/profit	4 and 6	(9,089)	27,157
Finance income		10,894	8,681
Finance costs		(11,359)	(342)
Finance (costs)/income — net		(465)	8,339
Share of profits less losses of			
— Associated companies		(25,517)	(11,432)
— Jointly controlled entities		4,915	6,226
(Loss)/profit before taxation		(30,156)	30,290
Taxation	7	(12,603)	(28,393)
(Loss)/profit after taxation		(42,759)	1,897
Loss attributable to minority investors of an investment fund		391	—
(Loss)/profit for the period		(42,368)	1,897
Attributable to:			
Shareholders of the Company		(37,803)	(1,092)
Non-controlling interests		(4,565)	2,989
		(42,368)	1,897
Losses per share attributable to shareholders of the Company			
— basic	8	<u>HK(2.70) cents</u>	<u>HK(0.08) cents</u>
— diluted	8	<u>HK(2.70) cents</u>	<u>HK(0.08) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
(Loss)/profit for the period	(42,368)	1,897
Other comprehensive income		
— Fair value gain/(loss) on available-for-sale financial assets	23,230	(14,371)
— Exchange reserve realised for disposal of a subsidiary	—	(1,121)
— Currency translation differences	(8,140)	27,061
— Share of post-acquisition reserves of an associated company	(3,946)	(4,998)
Other comprehensive income for the period, net of tax	11,144	6,571
Total comprehensive (loss)/income for the period	(31,224)	8,468
Attributable to:		
Shareholders of the Company	(26,145)	3,021
Non-controlling interests	(5,079)	5,447
	(31,224)	8,468

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30th June 2012 HK\$'000	Audited 31st December 2011 HK\$'000 (Restated)
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		401,990	423,801
Investment properties		457,631	447,570
Leasehold land and land use rights		55,645	56,699
Investments in associated companies		280,475	308,486
Investments in jointly controlled entities		235,303	240,299
Deferred tax assets		14,212	14,043
Available-for-sale financial assets		119,978	96,763
Loans and advances		10,475	17,228
Total non-current assets		<u>1,577,835</u>	<u>1,607,015</u>
Current assets			
Properties under development		219,420	210,995
Properties held for sale		383,099	400,230
Inventories		7,031	5,501
Loans and advances		385,018	432,855
Trade receivables	10	185,989	70,195
Other receivables, prepayments and deposits		39,518	29,224
Tax recoverable		1,411	2,882
Financial assets at fair value through profit or loss		258,390	273,272
Deposits with banks			
— pledged		913	1,337
— non-pledged		2,830	5,447
Client trust bank balances		1,369,178	1,524,807
Cash and cash equivalents		372,070	370,942
Total current assets		<u>3,224,867</u>	<u>3,327,687</u>
Current liabilities			
Trade and other payables	11	1,673,096	1,760,025
Tax payable		41,914	33,507
Borrowings		188,010	201,394
Net assets attributable to holders of redeemable participation shares		14,324	14,715
Total current liabilities		<u>1,917,344</u>	<u>2,009,641</u>
Net current assets		<u>1,307,523</u>	<u>1,318,046</u>
Total assets less current liabilities		<u>2,885,358</u>	<u>2,925,061</u>
Non-current liabilities			
Deferred tax liabilities		73,228	74,323
Retirement benefit obligations		6,906	7,485
Borrowings		114,349	121,154
Total non-current liabilities		<u>194,483</u>	<u>202,962</u>
Net assets		<u>2,690,875</u>	<u>2,722,099</u>
Equity			
Share capital		279,783	279,783
Reserves		2,317,290	2,343,435
Capital and reserves attributable to the Company's shareholders		2,597,073	2,623,218
Non-controlling interests		93,802	98,881
Total equity		<u>2,690,875</u>	<u>2,722,099</u>

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. 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.

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 24th August 2012.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2012 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 2011, 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 2011, as described in those annual financial statements.

(a) Change 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:

	30th June 2012 HK\$'000	31st December 2011 HK\$'000
Condensed consolidated balance sheet		
Increase in deferred tax liabilities	21,372	21,287
Decrease in retained earnings	(15,431)	(15,424)
Decrease in exchange fluctuation reserve	(618)	(814)
Decrease in non-controlling interests	(5,323)	(5,049)

	Six months ended 30th June	
	2012	2011
	HK\$'000	HK\$'000
Condensed consolidated income statement		
Increase in income tax expenses	281	10,068
Increase/decrease in net (loss)/profit attributable to shareholders of the Company	(7)	(9,762)
Increase/decrease in net (loss)/profit attributable to non-controlling interests	(274)	(306)
Decrease in basic earnings per share	—	HK(0.70) cents
Decrease in diluted earnings per share	—	HK(0.70) cents

There are no other amendments, revisions or 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 Standards, amendments, revisions and interpretation to existing Standards have been issued but are not effective for financial year beginning 1st January 2012 and have not been early adopted:

	Effective for accounting periods beginning on or after
— HKAS 1 (Amendment) Presentation of Financial Statements;	1st July 2012
— HKAS 19 (2011) Employee Benefits;	1st January 2013
— HKAS 27 (2011) Separate Financial Statements;	1st January 2013
— HKAS 28 (2011) Investments in Associates and Joint Ventures;	1st January 2013
— HKAS 32 (Amendment) Financial Instruments: Presentation	1st January 2014
— HKFRS 7 (Amendment) Disclosure — Financial Instruments: Presentation	1st January 2013
— HKFRS 7 and 9 (Amendment) Mandatory Effective Date and Transition Disclosures;	1st January 2015
— HKFRS 9 Financial Instruments;	1st January 2015
— HKFRS 10 Consolidated Financial Statements;	1st January 2013
— HKFRS 11 Joint Arrangements;	1st January 2013
— HKFRS 12 Disclosure of Interests in Other Entities;	1st January 2013
— HKFRS 13 Fair Value Measurements;	1st January 2013
— HK(IFRIC) — Int 20 Stripping Costs in the Production Phase of a Surface Mine; and	1st January 2013
— Fourth Annual Improvements	Improvements to HKFRS Published Project (2011) in June 2012 1st January 2013

The Group has already commenced an assessment of the related impact of adopting the above Standards, amendments, revisions 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 2012 are as follows:

	Unaudited					Group
	Securities investment	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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 results of the Group for the six months ended 30th June 2011 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>(11,647)</u>	<u>71,834</u>	<u>23,346</u>	<u>36,637</u>	<u>22,558</u>	<u>142,728</u>
Segment results	<u>(15,324)</u>	<u>23,861</u>	<u>(1,138)</u>	<u>40,854</u>	<u>(9,786)</u>	<u>38,467</u>
Unallocated net operating expenses						<u>(11,310)</u>
Operating profit						27,157
Finance income — net						8,339
Share of profits less losses of						
— Associated companies	—	—	—	—	(11,432)	(11,432)
— Jointly controlled entities	—	—	—	3,984	2,242	<u>6,226</u>
Profit before taxation						<u>30,290</u>

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

The unaudited segment assets of the Group as at 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	
Segment assets	257,917	2,138,839	643,980	865,729	314,888	4,221,353
Investments in associated companies	—	—	—	—	280,475	280,475
Investments in jointly controlled entities	—	—	—	197,015	38,288	235,303
Tax recoverable						1,411
Deferred tax assets						14,212
Corporate assets						<u>49,948</u>
Total assets						<u>4,802,702</u>

The audited segment assets of the Group as at 31st December 2011 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	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						<u>46,746</u>
Total assets						<u>4,934,702</u>

5. OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of interests in subsidiaries	—	(1,121)
Loss on deemed disposal of an associated company	—	(836)
(Loss)/gain on disposal of investment properties	(80)	1,863
Fair value (losses)/gains on investment properties	(57)	57,303
Net foreign exchange (loss)/gain	(867)	9,422
	<u>(1,004)</u>	<u>66,631</u>

6. OPERATING (LOSS)/PROFIT

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

	Unaudited	
	Six months ended 30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging:		
Depreciation	21,221	15,281
Amortisation of leasehold land and land use rights	874	1,191
Staff costs	80,736	75,568
	<u>80,736</u>	<u>75,568</u>

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited	
	Six months ended 30th June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Hong Kong profits tax		
— Current	5,377	3,062
— Over-provision in previous years	(780)	(192)
Overseas profits tax		
— Current	8,503	3,986
— Under/(over)-provision in previous years	619	(102)
Deferred taxation	(1,116)	21,639
	<u>12,603</u>	<u>28,393</u>
Taxation charge		

8. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of approximately HK\$37,803,000 (2011 restated: HK\$1,092,000). 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 period.

Diluted losses per share during the period 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 2012 (2011: HK\$Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2012 <i>HK\$'000</i>	Audited 31st December 2011 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	20,412	2,576
Due from stockbroking clients	126,936	39,258
Trade receivables	55,140	44,530
Bills receivable	155	1,110
	<hr/>	<hr/>
	202,643	87,474
Provision for impairment	(16,654)	(17,279)
	<hr/>	<hr/>
	185,989	70,195
	<hr/> <hr/>	<hr/> <hr/>

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 2012 and 31st December 2011, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2012 <i>HK\$'000</i>	Audited 31st December 2011 <i>HK\$'000</i>
0–30 days	178,717	63,469
31–60 days	4,724	3,156
61–90 days	637	1,336
Over 90 days	1,911	2,234
	<hr/>	<hr/>
	185,989	70,195
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2012 HK\$'000	Audited 31st December 2011 HK\$'000
Due to stockbrokers and dealers	52,390	30,719
Due to stockbroking clients	1,452,568	1,558,048
Trade payables	<u>102,759</u>	<u>100,977</u>
Total trade payables	1,607,717	1,689,744
Advance receipts from customers	1,754	4,304
Accruals and other payables	<u>63,625</u>	<u>65,977</u>
	<u><u>1,673,096</u></u>	<u><u>1,760,025</u></u>

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the 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\$1,369,178,000 (31st December 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.

At 30th June 2012 and 31st December 2011, the ageing analysis of trade payables is as follows:

	Unaudited 30th June 2012 HK\$'000	Audited 31st December 2011 HK\$'000
0–30 days	14,908	78,183
31–60 days	6,087	5,302
61–90 days	3,561	4,294
Over 90 days	<u>78,203</u>	<u>13,198</u>
	<u><u>102,759</u></u>	<u><u>100,977</u></u>

BUSINESS REVIEW

2012 continues to be a very challenging year for investors. The salient credit risk in banking system results in continuous pressure of deleveraging and contraction policies. The momentum in global economic growth was still slow despite various stimulating measures implemented by major countries. In China, risks of economic slowdown have sharpened with the slow improvement on retail consumption, while recovery of foreign trade is still precarious. The global financial system was unstable and vulnerable. The Hong Kong equity market was inevitably affected and remained volatile during the period under review.

The Group reported consolidated net loss attributable to shareholders of the Company of approximately HK\$38 million for the six months ended 30th June 2012, comparing with a net loss, after restatement, of approximately HK\$1 million in the corresponding period of 2011. The restatement for 2011 result from a net profit was mainly due to change of accounting policy on deferred taxation. The decline in result of 2012 was mainly attributable to the sharing of losses on its investment in a listed associate, China Assets (Holdings) Limited (“China Assets”). Fair value loss on our securities trading portfolio was reduced in 2012. However, slight fair value loss on our investment properties was recorded as compared with a net fair value gain in 2011, and this further trimmed the Group’s overall results. The total net assets of the Group dropped slightly from approximately HK\$2,722 million as at 31st December 2011 to approximately HK\$2,691 million as at 30th June 2012.

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 2012, the global financial market was continuously encumbered by the spread of European debt problem, especially when there were worries about a possible default of Greek debts and the country’s withdrawal from Euro zone. Tightening credit and monetary policies of the Central Government further raised the market concern of economic slowdown in China. Despite the pick up of the US financial market, the emerging markets performed poorly in general. Hang Seng Index closed at 18,434 and 19,411 on 31st December 2011 and 30th June 2012 respectively, with peak and trough at 21,760 and 18,056 respectively over the reporting period. Investors were cautious and risk appetite further shrank. Retail investors have largely stayed on the sidelines in this volatile market. Market trading activity was dampened, with an average daily market turnover dropped by 23% from HK\$74 billion in 2011 to HK\$57 billion in the corresponding period of 2012. Under the unfavorable market sentiment, IPO and secondary fund raising activities reduced by 83% and 25% respectively when compared with the corresponding period in 2011.

Our brokerage business was impeded by the slowdown in stock market activities. During the period, brokerage commission dropped slightly due to intensive market competition and reduction in trading activity. Despite this, underwriting and placing commission increased following expansion of our IPO underwriting business. In addition, with the increase in margin loan size and thus increase in margin loan interest income, the overall securities business reported an operating profit of approximately HK\$31 million in 2012, representing an increase of 30% from the corresponding period of 2011. 2012 is still difficult for the asset management industry in general and our securities investment business reported a loss of approximately HK\$6 million.

Our corporate finance division is an inseparable arm of our Financial Services Sector and has continued to bolster the revenue stream via the provision of services primarily to Hong Kong listed companies. Despite unfavourable performance of the global economy and the equity market in Hong Kong, our corporate finance division remained an active player in the financial advisory market for the six months ended 30th June 2012. During the period, we completed 10 corporate financial advisory cases and acted as compliance advisors to three Hong Kong listed companies. On our business pipeline, we have already engaged in a variety of assignments, which include IPO sponsorships and corporate financial advisory deals.

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

Under the strict tightening policies towards the Chinese property market, speculation and investment was curbed leading to reduction of transaction volume and falling in property prices. As it is expected that the Central Government's tightening measures will continue, the two property development projects of the Group in Wuxi, in the short run, will still be under tremendous pressure. However, the Group considered these measures will lead to a healthier and more sustainable economic growth to the industry. The Group remains conservatively optimistic about the long term development of the property market in view of China's accelerating urbanization and massive housing demand.

The Group is currently participating in six property projects with a total GFA of 419,000 square meters. We will complete these projects by phases according to the changing market conditions.

Our five-star hotel, Double Tree by Hilton in Wuxi, has reported satisfactory growth in 2012. Its occupancy rate has increased from 23% in 2011 to 47% in the corresponding period of 2012 and the hotel has contributed approximately HK\$42 million to the Group's total revenue in 2012.

Direct Investment

China Assets continues to be the major investment of our Direct Investment Sector. The performance of China Assets was affected by the unfavorable economic environment during the reporting period. In 2012, China Assets has made significant provision on impairment of investments. The project development of Goldeneye Interactive Limited, an online search engine company, was still behind budget. The recoverability of loan investment in Junhui International Holdings Limited, owner of a dredging vessel, was remote with reference to the recent business development. China Assets considers returns of these investments were uncertain and thus made a total of approximately US\$7 million provision in the reporting period. For the six months ended 30th June 2012, China Assets recorded net loss and decrease in investment reserve attributable to the Group of approximately HK\$24 million and HK\$4 million respectively.

Apart from the indirect investment in pharmaceutical and healthcare business through China Assets, the Group continues to invest in pharmaceutical business. The pharmaceutical business acquired in early 2011 has reported break-even results during the period. With the implementation of medical reform by the Central Government, we are confident that the Group will have a bright prospect in the pharmaceutical market. We will continue to push forward our research and development plans while making full use of our existing platform in strengthening our business foundation. We may also seek future opportunities to enlarge our presence in the industry.

PROSPECTS

With the European sovereign debt crisis still some way from resolution, the general outlook of world economy remains uncertain. Nevertheless, the Central Government will consistently maintain a stable 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 the cautious outlook, we believe Hong Kong, being firmly supported by the Central Government as an international financial centre and 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 the Chinese Mainland. 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. Meanwhile, we will continue to pursue, with an active and prudent approach, strategic direct investment projects 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 2012, the Group recorded a net loss and basic losses per share attributable to shareholders of the Company amounting to approximately HK\$38 million and HK2.70 cents respectively, compared with a net loss and basic losses per share attributable to shareholders of the Company, after restatement, of approximately HK\$1 million and HK0.08 cents respectively in the corresponding period of 2011. The restatement for 2011 result was mainly due to change of accounting policy as stipulated in Note 3 to the financial information. Revenue of the Group was approximately HK\$172 million, representing an increase by 21% over the same period of 2011.

Material acquisitions, disposals and significant investments

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

Liquidity and financial resources

The Group 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 2012, the Group had raised bank loans of approximately HK\$302 million and held approximately HK\$376 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 11%. Investment in "financial assets at fair value through profit or loss" as at 30th June 2012 amounted to approximately HK\$258 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 2012. 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\$951 million (31st December 2011: HK\$1,017 million) and fixed deposits of approximately HK\$16 million (31st December 2011: HK\$16 million) against its bank loans and general banking facilities. The banking facilities amounting approximately HK\$300 million (31st December 2011: HK\$320 million) had been utilised.

Human resources

As at 30th June 2012, the Group employed 794 (30th June 2011: 775) staff, of whom 600 are based in Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined benefit/contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the six months ended 30th June 2012 amounted to approximately HK\$81 million (30th June 2011: HK\$76 million).

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 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 30th June 2012, total contingent liabilities relating to these guarantees amounted to approximately HK\$2 million (31st December 2011: HK\$0.4 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 2012 (2011: HK\$Nil).

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the period, except for the deviation of Code A.2.1 and Code A.6.7 of the CG Code.

The Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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 A.6.7 stipulates that independent non-executive directors and other non-executive director should attend general meetings. 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 annual general meeting (the “2012 AGM”) of the Company held on 25th May 2012 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.

Nomination Committee

The Nomination Committee was newly 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, 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. Meetings will be held in the second half of this year to discuss the above for the year of 2012 in details.

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 acts in an advisory capacity and makes recommendations to the Board.

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 2012 for approval by the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

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 2012 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 Xiaohu.

By order of the Board
LO Yuen Yat
Chairman

Hong Kong, 24th August 2012