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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2009 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the year ended 31st December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	3	646,676	198,702
Cost of sales		<u>(346,706)</u>	<u>(146,580)</u>
Gross profit		299,970	52,122
Other gains/(losses) – net	4	66,321	(1,174)
Selling, general and administrative expenses		<u>(197,100)</u>	<u>(149,181)</u>
Operating profit/(loss)	5	<u>169,191</u>	<u>(98,233)</u>
Finance income		14,388	25,760
Finance costs		<u>(871)</u>	<u>(838)</u>
Finance income – net		<u>13,517</u>	<u>24,922</u>
Share of profits less losses of			
Associated companies		12,437	(51,303)
Jointly controlled entities		<u>15,008</u>	<u>12,933</u>
Profit/(loss) before taxation		210,153	(111,681)
Taxation	6	<u>(26,978)</u>	<u>(8,351)</u>
Profit/(loss) for the year		<u>183,175</u>	<u>(120,032)</u>
Attributable to:			
Shareholders of the Company		186,304	(111,394)
Minority interests		<u>(3,129)</u>	<u>(8,638)</u>
		<u>183,175</u>	<u>(120,032)</u>
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the year			
– Basic	7	<u>HK\$13.33 cents</u>	<u>HK\$(7.99) cents</u>
– Diluted	7	<u>HK\$13.26 cents</u>	<u>HK\$(7.99) cents</u>
Dividends	8	<u>16,787</u>	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Profit/(loss) for the year	<u>183,175</u>	<u>(120,032)</u>
Other comprehensive income/(loss)		
– Fair value gain/(loss) on available-for-sale financial assets	58,837	(256,899)
– Deferred tax effect on revalued asset	–	72
– Exchange reserve realised for disposal of subsidiaries	(5,597)	–
– Currency translation differences	7,802	14,116
– Share of post-acquisition reserves of an associated company	<u>90,318</u>	<u>(99,625)</u>
Other comprehensive income/(loss) for the year	<u>151,360</u>	<u>(342,336)</u>
Total comprehensive income/(loss) for the year	<u><u>334,535</u></u>	<u><u>(462,368)</u></u>
Attributable to:		
Shareholders of the Company	336,513	(454,062)
Minority interests	<u>(1,978)</u>	<u>(8,306)</u>
	<u><u>334,535</u></u>	<u><u>(462,368)</u></u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Non-current assets			
Intangible assets		4,573	3,393
Property, plant and equipment		203,290	76,567
Investment properties		73,378	47,897
Leasehold land and land use rights		263,846	260,646
Investments in associated companies		370,845	261,715
Investments in jointly controlled entities		151,118	157,056
Deferred tax assets		3,415	2,053
Available-for-sale financial assets		193,526	134,689
Loans and advances		11,497	27,457
		<u>1,275,488</u>	<u>971,473</u>
Current assets			
Properties under development		72,864	90,027
Properties held for sale		53,426	–
Leasehold land and land use rights		86,886	129,065
Inventories		718	5,885
Loans and advances		311,784	85,040
Trade receivables	9	318,576	134,496
Other receivables, prepayments and deposits		55,162	41,614
Tax recoverable		–	4,107
Financial assets at fair value through profit or loss		280,291	110,020
Deposits with banks		155,563	153,099
Cash and cash equivalents		672,278	935,710
		<u>2,007,548</u>	<u>1,689,063</u>
Current liabilities			
Trade and other payables	10	477,292	234,390
Tax payable		34,681	28,306
Borrowings		3,407	3,402
		<u>515,380</u>	<u>266,098</u>
Net current assets		<u>1,492,168</u>	<u>1,422,965</u>
Total assets less current liabilities		<u>2,767,656</u>	<u>2,394,438</u>
Non-current liabilities			
Deferred tax liabilities		7,703	702
Borrowings		11,357	–
		<u>19,060</u>	<u>702</u>
Net assets		<u>2,748,596</u>	<u>2,393,736</u>
Equity			
Share capital		279,783	279,277
Reserves		2,377,848	2,040,134
Capital and reserves attributable to the Company's shareholders		<u>2,657,631</u>	<u>2,319,411</u>
Minority interests		90,965	74,325
Total equity		<u>2,748,596</u>	<u>2,393,736</u>

Note:

Certain comparative figures have been reclassified to conform to the current year's presentation, please refer to Note 2.

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 First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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.

Certain comparative figures have been reclassified to conform to the current year’s presentation. Leasehold land and land use rights in relation to properties under development of HK\$129,065,000 were reclassified from non-current assets to current assets on the consolidated balance sheet as at 31st December 2008. There is no financial impact on the consolidated balance sheet at 1st January 2008.

Changes in accounting policy and disclosures

(a) *Standard, amendments and revisions to existing Standards adopted by the Group*

The Group has adopted the following Standard, amendments and revisions to existing Standards as of 1st January 2009:

- HKAS 1 (Revised), “Presentation of Financial Statements”. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Comparative information has been re-presented so that it is in conformity with the revised Standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share;
- HKAS 23 (Revised), “Borrowing Costs”. The Group has adopted this Standard on 1st January 2009 and has capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;

- HKAS 40 (Amendment), “Investment Property”. Property that is under construction or development for future use as investment property is within the scope of HKAS 40. The adoption of HKAS 40 (Amendment) has no significant impact on the Group’s consolidated financial statements;
- HKFRS 2 (Amendment), “Share-based Payment”. The Group has adopted this Standard on 1st January 2009 that the vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment does not have a material impact on the Group’s financial statements;
- HKFRS 7 (Amendment), “Financial Instruments: Disclosures”. The Group has adopted this Standard on 1st January 2009 and has disclosed the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share; and
- HKFRS 8, “Operating Segments”. The Group has adopted this Standard on 1st January 2009 that segment information is presented on the same basis as that used for internal reporting purposes. Details of the segment information are presented in Note 3.

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

The following Standard, amendments, revisions and interpretations to existing Standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
– HKAS 1 (Amendment)	Presentation of Financial Statements;	1st January 2010
– HKAS 7 (Amendment)	Statement of Cash Flows;	1st January 2010
– HKAS 17 (Amendment)	Leases;	1st January 2010
– HKAS 24 (Revised)	Related Party Disclosures;	1st January 2011
– HKAS 27 (Revised)	Consolidated and Separate Financial Statements;	1st July 2009
– HKAS 32 (Amendment)	Classification of Rights Issues;	1st February 2010
– HKAS 38 (Amendment)	Intangible Assets;	1st July 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items;	1st July 2009
– HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards;	1st July 2009
– HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters;	1st January 2010
– HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction;	1st January 2010
– HKFRS 3 (Revised)	Business Combinations;	1st July 2009
– HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations;	1st January 2010
– HKFRS 9	Financial Instruments;	1st January 2013
– HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners; and	1st July 2009
– HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

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

In addition, HKICPA also published a number of amendments for the existing Standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

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 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	Corporate finance and stockbroking	Property development	Property investment and hotel	Direct investment	Group
	2009	2009	2009	2009	2009	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income statement						
Revenue	<u>106,098</u>	<u>240,153</u>	<u>231,563</u>	<u>3,952</u>	<u>64,910</u>	<u>646,676</u>
Segment results	<u>102,925</u>	<u>61,285</u>	<u>61,291</u>	<u>5,167</u>	<u>(11,630)</u>	219,038
Unallocated net operating expenses						<u>(49,847)</u>
Operating profit						169,191
Finance income – net						13,517
Share of profits less losses of						
– Associated companies	–	–	–	–	12,437	12,437
– Jointly controlled entities	–	–	–	9,877	5,131	<u>15,008</u>
Profit before taxation						210,153
Taxation						<u>(26,978)</u>
Profit for the year						<u>183,175</u>
Balance sheet						
Segment assets	293,817	905,345	548,924	444,833	359,126	2,552,045
Investments in associated companies	–	–	–	–	370,845	370,845
Investments in jointly controlled entities	–	–	–	122,632	28,486	151,118
Deferred tax assets						3,415
Corporate assets						<u>205,613</u>
Total assets						<u>3,283,036</u>

Note: There were no sales among the operating segments.

	Securities investment 2008 HK\$'000	Corporate finance and stockbroking 2008 HK\$'000	Property development 2008 HK\$'000	Property investment and hotel 2008 HK\$'000	Direct investment 2008 HK\$'000	Group 2008 HK\$'000
Income statement						
Revenue	<u>(110,975)</u>	<u>213,294</u>	<u>-</u>	<u>4,486</u>	<u>91,897</u>	<u>198,702</u>
Segment results	<u>(104,131)</u>	<u>66,835</u>	<u>(11,270)</u>	<u>(168)</u>	<u>(15,548)</u>	(64,282)
Unallocated net operating expenses						<u>(33,951)</u>
Operating loss						(98,233)
Finance income – net						24,922
Share of profits less losses of						
– Associated companies	51	-	-	-	(51,354)	(51,303)
– Jointly controlled entities	-	-	-	13,592	(659)	<u>12,933</u>
Loss before taxation						(111,681)
Taxation						<u>(8,351)</u>
Loss for the year						<u>(120,032)</u>
Balance sheet						
Segment assets	136,100	610,491	550,001	282,365	380,132	1,959,089
Investments in associated companies	-	-	-	-	261,715	261,715
Investments in jointly controlled entities	-	-	-	134,378	22,678	157,056
Tax recoverable						4,107
Deferred tax assets						2,053
Corporate assets						<u>276,516</u>
Total assets						<u>2,660,536</u>

Note: There were no sales among the operating segments.

(b) *Geographical segments*

	Hong Kong 2009 HK\$'000	Chinese Mainland and others 2009 HK\$'000	Group 2009 HK\$'000
Revenue	<u>342,403</u>	<u>304,273</u>	<u>646,676</u>
Non-current assets*	<u>431,882</u>	<u>646,665</u>	<u>1,078,547</u>

	Hong Kong 2008 HK\$'000	Chinese Mainland and others 2008 HK\$'000	Group 2008 HK\$'000
Revenue	<u>107,531</u>	<u>91,171</u>	<u>198,702</u>
Non-current assets*	<u>329,501</u>	<u>505,230</u>	<u>834,731</u>

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

4. OTHER GAINS/(LOSSES) – NET

	2009 HK\$'000	2008 HK\$'000
Gain on disposal of interests in subsidiaries	53,246	–
Impairment of available-for-sale financial assets	–	(2,695)
Net fair value gains on investment properties	<u>13,075</u>	<u>1,521</u>
	<u>66,321</u>	<u>(1,174)</u>

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Crediting		
Net foreign exchange gain	<u>1,623</u>	<u>16,515</u>
Charging		
Depreciation	8,098	9,531
Amortisation of leasehold land and land use rights	6,562	6,593
Direct expenses in respect of container transportation and freight forwarding services	21,526	31,718
Cost of inventories	7,234	22,697
Cost of properties sold	192,295	–
Stockbroking commission and related expenses	32,946	34,722
Stamp duty and other transaction costs	57,634	37,975
Staff costs	132,877	135,986
Operating lease rental in respect of land and buildings	8,304	9,220
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	1,813	2,081
– other auditors	734	598
Non-audit services – the Company's auditor	584	243
Provision for doubtful debts	16,169	11,517
Provision for obsolete stock	3,329	3,712
Impairment of property, plant and equipment	344	5,670
Net loss on disposal of property, plant and equipment	<u>820</u>	<u>285</u>

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong profits tax		
Current	10,241	8,122
Over-provision in previous years	(205)	(1,215)
Overseas taxation		
Current	12,570	1,347
Over-provision in previous years	–	(455)
Deferred taxation	<u>4,372</u>	<u>552</u>
Taxation charge	<u>26,978</u>	<u>8,351</u>

7. 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 HK\$186,304,000 (2008: Group's loss attributable to shareholders of HK\$111,394,000). The basic earnings/(losses) per share is based on the weighted average number of 1,397,749,340 (2008: 1,394,749,571) shares in issue during the year.

The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 7,235,172 dilutive potential ordinary shares.

Diluted losses per share for 2008 is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

8. DIVIDENDS

The Board recommends the payment of a final dividend of HK\$0.012 (2008: HK\$Nil) per ordinary share, totaling HK\$16,787,000 (2008: HK\$Nil). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 24th May 2010. These financial statements do not reflect this final dividend payable.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proposed final dividend of HK\$0.012 (2008: HK\$Nil) per ordinary share	<u>16,787</u>	<u>–</u>

9. TRADE RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	54,466	24,172
Due from stockbroking clients	198,909	46,345
Trade receivables	80,395	69,697
Bills receivable	–	1,587
	<u>333,770</u>	<u>141,801</u>
Provision for impairment	<u>(15,194)</u>	<u>(7,305)</u>
	<u>318,576</u>	<u>134,496</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:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	312,254	116,593
31 – 60 days	2,286	5,354
61 – 90 days	2,489	3,381
Over 90 days	<u>1,547</u>	<u>9,168</u>
	<u>318,576</u>	<u>134,496</u>

10. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Due to stockbroking clients	287,597	63,458
Trade payables	<u>66,756</u>	<u>30,350</u>
Total trade payables	354,353	93,808
Advance receipts from customers	20,140	85,017
Accruals and other payables	<u>102,799</u>	<u>55,565</u>
	<u>477,292</u>	<u>234,390</u>

All trade and other payables are either repayable within one year or on demand. The fair value of the Group's trade and other payables is approximately the same as the carrying value.

The ageing analysis of the trade payables is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 30 days	348,649	65,021
31 – 60 days	3,713	1,126
61 – 90 days	370	840
Over 90 days	<u>1,621</u>	<u>26,821</u>
	<u>354,353</u>	<u>93,808</u>

11. COMMITMENTS

- (a) Capital commitments for leasehold land and land use rights, properties under development, and property, plant and equipment:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Contracted but not provided for	<u>207,655</u>	<u>290,342</u>
Authorised but not contracted	<u>1,109,590</u>	<u>740,627</u>

- (b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of property, plant and equipment, and investment properties as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Not later than one year	3,187	2,682
Later than one year but not later than five years	7,354	3,340
More than five years	<u>223</u>	<u>335</u>
	<u>10,764</u>	<u>6,357</u>

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Not later than one year	7,297	7,359
Later than one year but not later than five years	<u>3,939</u>	<u>4,737</u>
	<u>11,236</u>	<u>12,096</u>

BUSINESS OVERVIEW

While our economy cannot immune from the impact of the global financial crisis, the global financial market appears to have a remarkable rebound from the worst point of the cycle since the first quarter of 2009. The intensive measures implemented by various governments have significantly enhanced market liquidity and investors' confidence. General economy restores stability while the financial markets reveal signs of a rally. The upturn in the Chinese market was notably quick, marked with an exceed target GDP growth rate of 8.7%. In late 2009, Chinese Mainland's export was even able to experience resilient increase, ending the negative growth rate since the turn of economic recession.

Benefited from the positive momentum in Chinese Mainland, the economy in Hong Kong, have been broadly improved. The financial market was particularly robust with abundant liquidity on the back of market confidence in the Chinese capital market. During the year, we experienced an upsurge in fund-raising activities and hectic price raise in the Hong Kong stock market. Focusing on financial services and property development industries, the Group's business was able to take the advantage of this economic recovery. In 2009, the Group has achieved significant improvement with consolidated net profit attributable to shareholders of the Company of approximately HK\$186 million, comparing with a net loss of approximately HK\$111 million in 2008. This encouraging result was primarily contributed by the financial services business benefited from the drastic gain in investment sentiment and the demand for our brokerage and corporate finance services. Besides, the Group was able to capture the market opportunities and realise some profit from the property development business in Chinese Mainland. The Group's consolidated revenue raised multiply from HK\$199 million in 2008 to HK\$647 million in 2009 as a result of increase in securities investment gain and sales of residential properties.

The total net assets of the Group increased by 15% from approximately HK\$2,394 million in 2008 to approximately HK\$2,749 million in 2009. This was primarily attributable to the satisfactory performance of the year, apart from the investment valuation gain from an associated company and indirect investment in the listed share of Shenyin Wanguo (H.K.) Limited.

The Group adhered to its strategic plan and devoted its efforts and resources to accelerating its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

Tracking the global financial market, Hong Kong stock market fell initially on uncertainties over the global economic performance and worries about the distressed economic recession. The Hang Seng Index dropped to this year's trough at 11,344 in March 2009. With preliminary signs of stabilisation in economies and strong capital inflow to Hong Kong, the Hang Seng Index surged to 21,872 at 31st December 2009, representing a 92% rebound from the trough. Despite the upswing of securities trading activities in the second half of the year, average daily market turnover dropped by 10% to approximately HK\$99.6 billion. While with frequent fund-raising activities in the equity market, total equity fund raised boost over 50% to approximately HK\$642 billion. Hong Kong achieves to serve as the world's largest fund-raising marketplace in 2009. Total market capitalisation increased 73% to approximately HK\$17.9 trillion as a result of the rocketed raising price.

Fruitful from the active market turnover, our financial services business achieved considerable success in capturing our customer demand ranging over securities brokerage, underwriting as well as corporate finance activities, while our securities investment was remarkably benefited from the market price rebound. The Group reported significant growth on the financial services business, with an operating profit of approximately HK\$164 million, when compared with an operating loss of approximately HK\$37 million in 2008. Revenue hoisted by 238%, mainly attributable to securities investment division and securities brokerage and underwriting division, both accessible to market conditions. Total margin loan size expanded dramatically by 252%, reflected with distinguished growth in market trading turnover and substantial investor confidence in the Chinese capital market.

In view of the sub-prime crisis in the last quarter of 2008, the corporate finance activities were adversely affected in the first half of 2009. Nevertheless, our corporate finance division, as an active player in the financial advisory field, completed 32 corporate advisory transactions and undertook compliance adviser engagements for 6 listed companies in 2009. Our corporate finance division was ranked as the 6th in terms of transaction amount among the financial advisers for mergers and acquisitions in Hong Kong and Chinese Mainland during the first half of 2009 by Bloomberg. In July 2009, we successfully lead-managed an IPO case, namely Chigo Holding Limited (Stock Code: 0449), with fund-raising size of approximately HK\$189 million. In late December 2009, we had completed sponsorship for two IPO cases, namely Mobi Development Co., Ltd. (Stock Code: 0947) and Carpenter Tan Holdings Limited (Stock Code: 0837), with fund-raising size of approximately HK\$655 million and HK\$161 million respectively. Market capitalisation of Chigo Holding Limited, Mobi Development Co., Ltd. and Carpenter Tan Holdings Limited were approximately HK\$2,774 million, HK\$2,360 million and HK\$1,083 million respectively as at 31st December 2009.

To strengthen our market niche in the financial services industries, the Group will continue to expand our products range and to further enhance our online securities trading platform. We will also continue to focus on financial advisory services for mergers and acquisitions and other corporate transactions under the current challenging market conditions. It is also our strategy to continue seeking for IPO sponsorship opportunities in addition to the financial advisory services.

Property and Hotel

During the year, both market transaction volume and property price in Chinese Mainland raised sharply, especially in first-tier cities, when compared with 2008. However, as a policy-sensitive industry, the property development sector remained volatile. The central government continued to implement stimulative fiscal policies, moderately loose monetary policies and a series of internal demand promotion policies to stabilise the economic conditions. On the other hand, to suppress the overheating property market, the central government has launched a series of austerity measures target for the property market since the second half year of 2009, which slightly restrained the market transaction volume in most major cities.

The Group's strategy is continuous to develop properties in fast growing second-tier cities in Chinese Mainland, especially in Yangtze River Delta region. We continue to specialise in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts.

In 2009, the Group has recognised GFA and revenue amounted to approximately 39,000 square meters and HK\$232 million respectively from the property development business, mainly attributable to a project located in Kunshan, Jiangsu. Capital expenditures incurred for the year were approximately HK\$407 million.

On 31st August 2009, the Group disposed of its entire equity interest in two subsidiaries which hold two parcels of land located in Kunshan, for a cash consideration of HK\$108 million. The transaction was completed and the Group has reported a net gain on disposal of approximately HK\$33 million.

To meet our development requirement, the Group continued to strengthen the land reserve and was able to anticipate the initial exposure in Huangshan, Anhui Province by acquisition of a new land parcel in November 2009. The Group is currently participating in six projects with total gross floor area of approximately 411,000 square meters as summarised below:

Location	Product nature	Expected completion date (Year)	% of interest attributable to the Group	Total gross floor area (sq.m.)	Area sold in 2009 (sq.m.)	Accumulated area sold (sq.m.)
Zhangjiang, Shanghai	Office and commercial	Completed	50%	56,000	–	27,000
Kunshan, Jiangsu	Residential	Completed	70%	55,000	39,000	39,000
Wuxi, Jiangsu	Hotel, commercial and apartment	2011	100%	92,000	–	–
Wuxi, Jiangsu	Office and industrial					
– Phase I		2010	70%	33,000	–	–
– Phase II		2012	70%	59,000	–	–
Huangshan, Anhui	Residential and recreation resorts	2012	100%	52,000	–	–
Zhongshan, Guangdong	Residential and recreation resorts	2012	80%	64,000	–	–
Total				<u>411,000</u>	<u>39,000</u>	<u>66,000</u>

Direct Investment

Results of the Group's Direct Investment were still affected by the stresses experienced from the global economic crisis. Despite the market environment has been improved, threat of an overheating economy and impact upon withdrawal of the intensive government measures is still uncertain. The Group has continued to exercise a high level of caution in managing our equity investment portfolio.

During the year, China Assets (Holdings) Limited ("China Assets"), continues to be the major investment of our Direct Investment Sector, shown slight recovery with raise in capital value of its investments, including KongZhong Corporation, Shangdong Lukang Pharmaceutical Co., Ltd. and two private securities funds. During 2009, China Assets recorded net profit and investment reserve increments attributable to the Group of approximately HK\$9 million and HK\$90 million respectively.

PROSPECTS

The market condition in 2009 was heartening but unanticipated challenging. With uncertainties on impact upon withdrawal of the intensive government measures and mounting fear of inflation that linger market confidence, recovery on the core global economy remain restricted. Nevertheless, with the general market confidence on the economy of Chinese Mainland, and the massive policies implemented by the central government, the Group is conservatively optimistic about the prospects of financial and property markets.

Backing on our brand recognition and business network, the Group will continue its normal pace in expansion of its presence in both financial services and property development industries in Hong Kong and Chinese Mainland. We will keep on working diligently with potential market needs by enhancing our products and services quality, capitalising our professional team and refining our operational efficiency so as to strengthen our market penetration and consolidate for capture future business opportunities. Meanwhile, we will continue to pursue, on an active and prudent approach, strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2009, the Group recorded a net profit and basic earnings per share attributable to shareholders of the Company amounting to approximately HK\$186 million and HK\$13.33 cents respectively, compared with a net loss and basic losses per share attributable to shareholders of the Company of approximately HK\$111 million and HK\$7.99 cents respectively in 2008. Revenue of the Group is approximately HK\$647 million, represents an increase of 225% from 2008.

Material acquisition and disposal of group companies

On 31st August 2009, the Group disposed of its entire equity interest in two subsidiaries which hold two parcels of land located in Kunshan for a cash consideration of HK\$108 million. The transaction was completed and the Group has reported a net gain on disposal of approximately HK\$33 million.

On 20th November 2009, the Group acquired 100% equity interest of Huangshan Hui Zhong Property Development Company Limited, a property development company which owns a parcel of land with gross floor area of approximately 52,000 square meters in Huangshan, Anhui Province, at a net cash consideration of approximately HK\$14 million.

In 2009, the Group has de-recognised its 55% equity interest in Changchun FAW Sihuan Betung Instrument Company Limited (“FAW”). FAW was principally engaged in manufacturing of autoparts. While this business has experienced extended period of operating loss, to stop further losses attributable to the shareholders, the Group determined to commence the liquidation of FAW and reported an accounting gain on reversal of this investment of approximately HK\$21 million in 2009.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects and our financial services business. As at 31st December 2009, the Group had raised bank loans of approximately HK\$15 million (2008: HK\$3 million) and held approximately HK\$828 million (2008: HK\$1,089 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.5% (2008: 0.1%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2009 amounted to approximately HK\$280 million (2008: HK\$110 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will remain 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 and leasehold land and land use rights with an aggregate net carrying value of approximately HK\$224 million (2008: HK\$59 million) and fixed deposits of approximately HK\$15 million (2008: HK\$31 million) against its bank loans and general banking facilities. At the balance sheet date, the banking facilities amounting approximately HK\$11 million (2008: HK\$16 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 Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by those 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 2009, total contingent liabilities relating to these guarantees amounted to approximately HK\$166 million (2008: HK\$Nil).

Employees

As at 31st December 2009, the Group employed 459 staff, of which 346 are located 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 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 2009 amounted to approximately HK\$133 million (2008: HK\$136 million).

DIVIDEND

The Board does not recommend the payment of an interim dividend (2008: HK\$Nil) during 2009.

The Board recommends the payment of a final dividend of HK\$0.012 (2008: HK\$Nil) per ordinary share, totaling HK\$16,787,000 (2008: HK\$Nil), which together with the interim dividend payment amounting to a total of HK\$16,787,000 (2008: HK\$Nil).

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 2009.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board 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. Three meetings were held during the current financial year. During the year ended 31st December 2009, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

REMUNERATION COMMITTEE

A Remuneration Committee, comprising three independent non-executive Directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe, and an executive Director, Mr. LAO Yuan-Yi, was established on 30th June 2005. 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.

COMPLIANCE WITH CODE ON GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2009, except for the deviation from provision A.2.1 of the CG Code.

This 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. LAO Yuan-Yi 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. Lao 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.

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, 17th May 2010 to Monday, 24th May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, 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 Friday, 14th May 2010.

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 2009 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. LAO Yuan-Yi, 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
LAO Yuan-Yi
Chairman

Hong Kong, 9th April 2010