



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2007 FINAL RESULTS ANNOUNCEMENT

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 2007 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Continuing operations:			
Revenue	3	765,246	1,319,289
Cost of sales		<u>(242,372)</u>	<u>(1,004,840)</u>
Gross profit		522,874	314,449
Other gains – net	4	143,344	38,454
Selling and distribution costs		<u>(11,374)</u>	<u>(13,323)</u>
Administrative expenses		<u>(272,857)</u>	<u>(235,921)</u>
Operating profit	5	381,987	103,659
Finance costs		<u>(27,537)</u>	<u>(20,585)</u>
Share of profits less losses of			
Associated companies		5,579	(2,404)
Jointly controlled entities		<u>62,360</u>	<u>4,418</u>
Profit before taxation		422,389	85,088
Taxation	6	<u>(43,056)</u>	<u>(16,618)</u>
Profit for the year from continuing operations		379,333	68,470
Discontinued operations:			
Profit for the year from discontinued operations		–	161,317
Profit for the year		<u>379,333</u>	<u>229,787</u>
Attributable to:			
Shareholders of the Company		382,178	236,573
Minority interests		<u>(2,845)</u>	<u>(6,786)</u>
		<u>379,333</u>	<u>229,787</u>
Basic earnings per share for profit attributable to shareholders of the Company during the year			
Continuing operations		HK29.56 cents	HK6.33 cents
Discontinued operations		–	HK13.58 cents
	7	<u>HK29.56 cents</u>	<u>HK19.91 cents</u>
Diluted earnings per share for profit attributable to shareholders of the Company during the year			
Continuing operations		HK29.11 cents	HK6.21 cents
Discontinued operations		–	HK13.32 cents
	7	<u>HK29.11 cents</u>	<u>HK19.53 cents</u>
Dividends	8	<u>41,236</u>	<u>30,007</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current assets			
Intangible assets		3,393	3,393
Property, plant and equipment		63,567	268,340
Investment properties		43,766	39,828
Leasehold land and land use rights		309,498	67,478
Properties under development		15,843	–
Investments in associated companies		412,881	297,570
Investments in jointly controlled entities		140,208	72,336
Deferred tax assets		2,531	1,231
Available-for-sale financial assets		393,934	115,033
Loans and advances		11,747	28,266
		<u>1,397,368</u>	<u>893,475</u>
Current assets			
Inventories		13,510	18,892
Loans and advances		584,070	206,961
Trade receivables	9	418,622	157,563
Other receivables, prepayments and deposits		153,536	180,794
Tax recoverable		167	374
Financial assets at fair value through income statement		425,366	157,904
Cash and cash equivalents		576,981	476,142
		<u>2,172,252</u>	<u>1,198,630</u>
Current liabilities			
Trade and other payables	10	668,126	224,258
Tax payable		52,978	24,242
Financial liabilities at fair value through income statement		5,632	–
Borrowings		3,217	2,989
		<u>729,953</u>	<u>251,489</u>
Net current assets		<u>1,442,299</u>	<u>947,141</u>
Total assets less current liabilities		<u>2,839,667</u>	<u>1,840,616</u>
Non-current liabilities			
Deferred tax liabilities		700	496
Borrowings		–	144,449
		<u>700</u>	<u>144,945</u>
Net assets		<u>2,838,967</u>	<u>1,695,671</u>
Equity			
Share capital		278,293	238,773
Reserves		2,505,598	1,383,640
Capital and reserves attributable to the Company's shareholders		<u>2,783,891</u>	<u>1,622,413</u>
Minority interests		55,076	73,258
Total equity		<u>2,838,967</u>	<u>1,695,671</u>

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 trading and investment, corporate finance and stockbroking, property development and investment, hotel operation, container transportation and freight forwarding services, and 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, financial assets and financial liabilities at fair value through income statement.

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) Standards and interpretations to existing Standards effective in 2007

- HKFRS 7, ‘Financial instruments: Disclosures’;
- HK(IFRIC) – Int 8, ‘Scope of HKFRS 2’;
- HK(IFRIC) – Int 9, ‘Re-assessment of embedded derivatives’; and
- HK(IFRIC) – Int 10, ‘Interim financial reporting and impairment’.

(b) Interpretation to existing Standard effective in 2007 but not relevant to the Group’s operation

The following interpretation to existing Standard is mandatory for accounting periods beginning on or after 1st January 2007 but it is not relevant to the Group’s operations:

- HK(IFRIC) – Int 7, ‘Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies’.

(c) Standards, amendments and interpretations to existing Standards that are not yet effective and have not been early adopted by the Group

The following Standards, amendments and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1st January 2009);
- HKAS 23 (Revised), 'Borrowing costs' (effective from 1st January 2009);
- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from annual period beginning on or after 1st July 2009);
- HKFRS 2 Amendment, 'Share-based Payment Vesting Conditions and Cancellations' (effective from 1st January 2009);
- HKFRS 3 (Revised), 'Business Combination' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009);
- HKFRS 8, 'Operating segments' (effective from 1st January 2009); and
- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions' (effective from 1st March 2007).

(d) Interpretations to existing Standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1st January 2008);
- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1st July 2008); and
- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1st January 2008).

3. SEGMENT INFORMATION

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, and properties under development.

In respect of geographical segment reporting, sales are based on the country in which the customers are located.

(a) Primary reporting format – business segments

The Group is organised into six main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Property development and investment
- Hotel operation
- Container transportation and freight forwarding services
- Investment holding and management

	Securities trading and investment 2007 HK\$'000	Corporate finance and stockbroking 2007 HK\$'000	Property development and investment 2007 HK\$'000	Hotel operation 2007 HK\$'000	Container transportation and freight forwarding services 2007 HK\$'000	Investment holding and management 2007 HK\$'000	Group 2007 HK\$'000
Income statement							
Revenue	<u>164,392</u>	<u>463,149</u>	<u>3,283</u>	<u>26,723</u>	<u>40,048</u>	<u>67,651</u>	<u>765,246</u>
Segment results	<u>141,736</u>	<u>198,051</u>	<u>4,562</u>	<u>148,490</u>	<u>(5,028)</u>	<u>(105,824)</u>	381,987
Finance costs	–	(23,968)	–	(2,932)	(244)	(393)	(27,537)
Share of profits less losses of							
– Associated companies	3,249	–	–	–	–	2,330	5,579
– Jointly controlled entities	–	–	63,326	–	–	(966)	<u>62,360</u>
Profit before taxation							422,389
Taxation							<u>(43,056)</u>
Profit for the year							<u>379,333</u>
Balance sheet							
Segment assets	438,071	1,078,544	431,684	113,650	102,120	849,764	3,013,833
Investments in associated companies	214	–	–	–	–	412,667	412,881
Investments in jointly controlled entities	–	–	118,148	–	–	22,060	140,208
Tax recoverable							167
Deferred tax assets							<u>2,531</u>
Total assets							<u>3,569,620</u>
Segment liabilities	124,212	302,656	27,532	1,808	12,210	208,557	676,975
Tax payable							52,978
Deferred tax liabilities							<u>700</u>
Total liabilities							<u>730,653</u>
Other information							
Capital expenditure	–	2,955	186,946	99,920	595	784	291,200
Depreciation	100	1,778	970	5,060	4,411	2,308	14,627
Amortisation of leasehold land and land use rights	–	–	1,322	1,941	676	2	3,941

Note: There are no sales among the business segments.

	Securities trading and investment	Corporate finance and stockbroking	Property development and investment (Note (c))	Hotel operation	Container transportation and freight forwarding services	Investment holding and management (Note (c))	Group
	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000	2006 HK\$'000
Income statement							
Revenue	<u>128,421</u>	<u>145,085</u>	<u>1,397</u>	<u>80,925</u>	<u>891,057</u>	<u>72,404</u>	<u>1,319,289</u>
Segment results	<u>101,488</u>	<u>30,866</u>	<u>13,635</u>	<u>6,491</u>	<u>(14,514)</u>	<u>(34,307)</u>	103,659
Finance costs	-	(10,885)	-	(8,090)	(1,403)	(207)	(20,585)
Share of profits less losses of							
– Associated companies	4,601	-	-	-	-	(7,005)	(2,404)
– Jointly controlled entities	-	-	5,081	-	-	(663)	4,418
Profit before taxation							85,088
Taxation							<u>(16,618)</u>
Profit for the year from continuing operations							68,470
Profit for the year from non-current assets classified as held for sale and discontinued operations (Note (b))							<u>161,317</u>
Profit for the year							<u><u>229,787</u></u>
Balance sheet							
Segment assets	152,723	379,737	199,450	239,302	118,449	630,933	1,720,594
Investments in associated companies	4,601	-	-	-	-	292,969	297,570
Investments in jointly controlled entities	-	-	50,943	-	-	21,393	72,336
Tax recoverable							374
Deferred tax assets							<u>1,231</u>
Total assets							<u><u>2,092,105</u></u>
Segment liabilities	865	7,028	3,177	161,280	12,793	186,553	371,696
Tax payable							24,242
Deferred tax liabilities							<u>496</u>
Total liabilities							<u><u>396,434</u></u>
Other information							
Capital expenditure	333	1,263	12,108	33,173	5,028	9,146	61,051
Depreciation	319	1,534	950	12,550	10,915	10,593	36,861
Amortisation of leasehold land and land use rights	-	-	166	479	628	2	1,275

Notes: (a) There are no sales among the business segments.

(b) Profit for the year from non-current assets classified as held for sale and discontinued operations includes gain on disposal of properties held by Fuhai Digial Science & Technology (Shanghai) Company Limited and operation related to Geoby International Holdings Limited and its subsidiaries amounting to HK\$55,489,000 and HK\$105,828,000 respectively for the year ended 31st December 2006.

(c) To conform with the business segment presentation in current year, the Group's property development and investment businesses, previously included in investment holding and management segment, have been reclassified to be disclosed under property development and investment segment. The Group's motor vehicle meters and components manufacturing businesses, previously presented as a separate segment, have been reclassified to be disclosed under investment holding and management segment.

(b) Secondary reporting format – geographical segments

	Revenue 2007 HK\$'000	Segment results 2007 HK\$'000	Total assets 2007 HK\$'000	Capital expenditure 2007 HK\$'000
Hong Kong	622,552	254,217	2,103,501	2,378
Chinese Mainland	134,375	123,139	891,879	288,822
Others	8,319	4,631	18,453	–
	<u>765,246</u>	<u>381,987</u>	<u>3,013,833</u>	<u>291,200</u>
Investments in associated companies			412,881	
Investments in jointly controlled entities			140,208	
Tax recoverable			167	
Deferred tax assets			<u>2,531</u>	
Total assets			<u>3,569,620</u>	
	Revenue 2006 HK\$'000	Segment results 2006 HK\$'000	Total assets 2006 HK\$'000	Capital expenditure 2006 HK\$'000
Hong Kong	265,052	99,838	784,341	1,105
Chinese Mainland	1,053,743	10,456	909,743	59,624
Others	494	(6,635)	26,510	322
	<u>1,319,289</u>	<u>103,659</u>	<u>1,720,594</u>	<u>61,051</u>
Investments in associated companies			297,570	
Investments in jointly controlled entities			72,336	
Tax recoverable			374	
Deferred tax assets			<u>1,231</u>	
Total assets			<u>2,092,105</u>	

Note: There are no sales among the geographical segments.

4. OTHER GAINS – NET

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Gain on disposal of interest in subsidiaries	145,703	13,897
Loss on disposal of an associated company	(1,022)	–
Loss on deemed disposal of partial interest in an associated company	(1,833)	(3,904)
Loss on disposal of available-for-sale financial assets	(4,431)	–
Impairment of available-for-sale financial assets	(17,788)	(2,341)
Interest income	18,777	15,598
Dividend income	–	2,965
	<hr/>	<hr/>
Investment income, net	139,406	26,215
Fair value gains on investment properties	3,938	12,239
	<hr/>	<hr/>
	143,344	38,454
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5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Crediting</u>		
Net gain on disposal of property, plant and equipment	86	–
Net foreign exchange gain	13,521	963
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<u>Charging</u>		
Depreciation	14,627	36,861
Amortisation of leasehold land and land use rights	3,941	1,275
Impairment losses on trading rights and patent	–	500
Direct expense in respect of container transportation and freight forwarding services	29,864	888,286
Cost of inventories	35,029	37,348
Stockbroking commission expense	75,792	13,515
Stamp duty and other transaction costs	81,705	23,886
Staff costs	209,524	195,919
Operating lease rental in respect of land and buildings	7,170	8,514
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,041	1,990
– other auditors	539	1,097
Non-audit services – the Company's auditor	127	107
Provision for doubtful debts	1,471	5,768
Provision for obsolete stock	4,449	1,663
Net loss on disposal of property, plant and equipment	–	373
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6. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) 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.

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

	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	29,612	5,175
(Over)/under-provision in previous years	(259)	88
Overseas taxation		
Current	14,799	11,389
Under-provision in previous years	–	614
Deferred taxation	<u>(1,096)</u>	<u>(648)</u>
Taxation charge	<u>43,056</u>	<u>16,618</u>

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$382,178,000 (2006: HK\$236,573,000). The basic earnings per share is based on the weighted average number of 1,292,967,048 (2006: 1,188,096,023) shares in issue during the year. The diluted earnings per share is based on 1,312,969,167 (2006: 1,211,050,276) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 20,002,119 (2006: 22,954,253) shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. DIVIDENDS

The dividends paid in 2007 and 2006 were HK\$33,451,000 (HK\$0.025 per ordinary share) and HK\$41,635,000 (HK\$0.035 per ordinary share) respectively. The directors recommend the payment of a final dividend of HK\$0.01 (2006: HK\$0.005) per ordinary share, totalling HK\$13,915,000 (2006: HK\$6,130,000). Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company on 23rd May 2008. These financial statements do not reflect this final dividend payable.

	2007	2006
	HK\$'000	HK\$'000
Interim dividend paid of HK\$0.02 (2006: HK\$0.02) per ordinary share	27,321	23,877
Proposed final dividend of HK\$0.01 (2006: HK\$0.005) per ordinary share	<u>13,915</u>	<u>6,130</u>
	<u>41,236</u>	<u>30,007</u>

9. TRADE RECEIVABLES

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	280,589	34,309
Due from stockbroking clients	68,683	58,805
Trade receivables	73,439	68,856
Bills receivable	557	747
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	423,268	162,717
Provision for impairment	(4,646)	(5,154)
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	418,622	157,563
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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 receivable attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivable attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on credit terms of 30 to 90 days.

The ageing analysis of the trade receivables is as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	396,209	125,300
31 – 60 days	6,704	8,084
61 – 90 days	4,021	6,024
Over 90 days	11,688	18,155
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	418,622	157,563
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10. TRADE AND OTHER PAYABLES

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Due to stockbrokers and dealers	3,738	1,918
Due to stockbroking clients	356,385	75,260
Trade payables	<u>30,442</u>	<u>39,735</u>
Total trade payables	390,565	116,913
Accruals and other payables	<u>277,561</u>	<u>107,345</u>
	<u>668,126</u>	<u>224,258</u>

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

The ageing analysis of the trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
0 – 30 days	362,532	93,087
31 – 60 days	1,730	4,557
61 – 90 days	1,965	2,878
Over 90 days	<u>24,338</u>	<u>16,391</u>
	<u>390,565</u>	<u>116,913</u>

11. COMMITMENTS

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Contracted but not provided for	<u>96,787</u>	<u>41,803</u>
Authorised but not contracted	<u>798,933</u>	<u>320,348</u>

The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:

Authorised but not contracted	<u>257,270</u>	<u>5,059</u>
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(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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Not later than one year	5,181	1,735
Later than one year but not later than five years	3,530	717
More than five years	1,126	—
	<u>9,837</u>	<u>2,452</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:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Not later than one year	5,609	7,251
Later than one year but not later than five years	2,037	7,858
	<u>7,646</u>	<u>15,109</u>

BUSINESS OVERVIEW

2007 was a buoyant year for the economies and the financial market. Strong economic atmosphere and improved investment sentiment had provided us with a favourable business environment. Operating from its strength, the Group made breakthrough achievements with a net profit attributable to shareholders of approximately HK\$382 million for the year ended 31st December 2007, representing a surge of over 62% from 2006. Apart from the robust growth from the Financial Services Sector, another highlight of the year was undoubtedly the disposal of the Group's hotel in Kunshan, which has realised a net profit of approximately HK\$147 million. Total Group's revenue, as a result of the scale down of container transportation and freight forwarding business in Shanghai, decreased by 42% to approximately HK\$765 million for the year ended 31st December 2007. Excluding the container transportation and freight forwarding business, total revenue reached HK\$725 million in 2007, representing a corresponding increase of 69% over HK\$428 million in 2006, as a result of strong performance of the Financial Services Sector.

In addition to the encouraging results in 2007, the fair value gain on the Group's investment in the holding company of a Hong Kong listed company, Shenyin Wanguo (H.K.) Limited, has contributed a significant increase to the Group's total net assets. The Group's total net assets has risen from approximately HK\$1,696 million at 31st December 2006 to approximately HK\$2,839 million at 31st December 2007, representing a 67% increase. As the Group is holding this investment for long-term strategic purpose, the impact on fair value change will not be realised in the income statement until disposal.

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

Financial Services

2007 witnessed the sustained rapid growth of the economies. Economic development in Chinese Mainland continued rapidly with GDP growth of approximately 11% while GDP growth in Hong Kong also demonstrated a brisk raise of approximately 6.3%. Dominant by the China concept, the Hong Kong stock market benefited from the good expectation of investors for the future prospect of China economy. Further spurred by the release of the news on deregulation of China QDII policy and the so-called "through train" pilot programme for Direct Foreign Portfolio Investments by Domestic Individuals announced in August 2007, the Hang Seng Index soared to an all-time closing high of 31,638 on 30th October 2007. Worries about the US sub-prime mortgage problem and the subsequent halt of the "through train" proposal had led to correction of the stock market and the Hang Seng Index closed at 27,813 at the year end. The total market capitalisation at the end of 2007 and the average daily market turnover in 2007 has surpassed approximately HK\$20.7 trillion and HK\$88.1 billion respectively, representing an annual growth of 55% and 161% respectively.

In 2007, we experienced an unprecedented robust financial market, in which both the securities investments and securities brokerage businesses enjoyed a huge surge and are continuously being our major profit contributors, brought by the dramatic growth on the fund size for assets management, the number of brokerage clients as well as the average amount of margin loan. The Group achieved an operating revenue of HK\$628 million for the year ended 31st December 2007 from the Financial Services Sector, mainly from net gain of securities investments and securities and futures commission income, of an increase of 129% from last year. The overall operating result was HK\$340 million for the year ended 31st December 2007, boosted by 157% as compared to HK\$132 million in 2006. We have a strong market niche to attract new clients and sustain the patronage of our existing clients on the back of our quality services including support from our securities research team which is specialised in China-related enterprises listed in Hong Kong. Our online securities trading platform emerged as an effective tool for promoting our business overseas.

Our corporate finance division continued to be an active player in the financial advisory and the IPO market. During the year, we have completed over 40 corporate advisory assignments and acted as compliance advisers to four listed companies. Tapping the strong market demand on quality China stocks, we successfully sponsored the initial public offerings of two Chinese enterprises: NetDragon Websoft Inc., a leading Chinese online game developer and operator, raising approximately HK\$1.4 billion, and China Automation Group Limited, the largest safety and critical control system provider in Chinese Mainland, raising approximately HK\$352 million. Both IPOs were well received by the market and achieved good share performance. In line with our strategy to become a premier financial services solution provider, we will continue to actively pursue opportunities in both the financial advisory and the IPO market.

Property and Hotels

Fuelled by China's prosperous growth in economy, demand for real estate in China has seen a steady increase over the years. Total revenue from real property sales and aggregate gross floor sold in Chinese Mainland has surged over the past few years up to approximately RMB2,082 billion and 618 million square meters respectively in 2006. Our Property and Hotels Division is capitalising on the robust growth prospects offered by the vibrant urban markets of China. Our strategy is to develop properties in fast growing cities such as Kunshan, Wuxi and Zhongshan.

Specialising in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts, the Group currently has accumulated land for development up to a total gross floor area of approximately 390,000 square meters.

Besides the successful disposals of commercial properties in Zhangjiang, Shanghai in previous years, the Group has completed the disposal of its hotel in Kunshan to an international investment group, Kingdom Hotel Investments, in April 2007, recognising a net gain on disposal of approximately HK\$147 million. Total operating results from the Property and Hotels Sector was approximately HK\$153 million for the year ended 31st December 2007, representing a six-fold rise from 2006. Capital expenditures incurred were approximately HK\$287 million and HK\$45 million in 2007 and 2006 respectively.

Development of the second phase of commercial park in Zhangjiang by our jointly controlled entity, Shanghai Zhangjiang Information Technology Company Limited, has been completed in early 2007 and the properties are currently held for investment purpose. During the year, the Group has also engaged new development projects for a commercial complex and a five-star hotel in Kunshan and Wuxi respectively.

Direct Investments

The Group currently invests in certain direct investment projects, the major contributors include container transportation and freight forwarding business, and direct investments through its listed associate, China Assets (Holdings) Limited (“China Assets”). In view of the keen market competition, substantial working capital requirement and thin profit margin of container transportation and freight forwarding business, the Group has carried out certain restructure programs with an objective to scale down this business which resulted in a sharp reduction of its revenue from HK\$891 million to HK\$40 million. The slight decrease in operating loss of its segment results for the year of 2007 when compared with 2006 has proven the success of this plan.

In 2007, China Assets has realised investment gain from a property investment fund of which is largely set off by the impairment losses on a loan receivable and the investments in a civil aviation training company, leading the investment a breakeven result to the Group. With the increase in fair value of China Asset’s long term investment, Shangdong Lukang Pharmaceutical Co., Ltd., the Group has captured significant increase in capital reserve for 2007.

The Company announced in November 2007 proposing to acquire through a 50% owned joint venture, 75% equity interest in Shenyang Heat Supply Group (“SHSG”) at a consideration of approximately RMB325 million. SHSG is the major heat supply group in Shenyang and is the controlling shareholder of a Shenyang listed company, Shenyang Huitian Thermal Power Company Limited which is engaged in the provision of piped heat supplying in Shenyang. The investment is a valuable opportunity for the Group to involve in the public utility business in China and to benefit from the fast economic growth in Shenyang.

PROSPECTS

In 2008, the global economy is encountering significant challenges. The sub-prime crisis evolving since mid-2007, has brought uncertainty with a credit crunch and intensify stock market volatility. The Chinese Government is expected to continue its shift of monetary policy from prudent to tight. The Management believes that it will further stimulate market volatility, tighten funding and increase cost of funds. However, with the strong growing momentum in China and improved household financial position and consumption spending, the Management believes that the global economy will maintain a steady growth and the long term fundamentals will remain positive. Looking forward, the Group will continue to grow to surpass its earlier successes in this market situation.

Since both the Central Government and Hong Kong government have shown strong confidence and active support to further strengthen Hong Kong as one of the world-class financial centre, the Management believes the Hong Kong stock market will continue its growth with this tremendous opportunity. The Group will continue its expansion of the Financial Services Sector to capture this strong market demand. We will make full use of our professional brokerage team and business network in Chinese Mainland to further strengthen the customer base and market share.

Despite the challenges from the implementation of the National Public Housing policy and the macro-control measures, with the general urbanization and modernization in China, the Management believes the strong demand for properties is promising. The Group will continue to participate in the China property market and remains confident that the property and hotels investment business will become the Group's profit rocket in medium term. With our strong operational team, we will seek to expand gradually through the implementation of effective resources allocation and prudent financial management.

Meanwhile, with a strong financial position, the Group will also continue to expand its prime land bank through various channels and to explore new Direct Investments projects that fit with the Group's business strategy so as to optimise its returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2007, the Group recorded a net profit attributable to shareholders of approximately HK\$382 million, representing an increase of 62% over 2006 which is approximately HK\$237 million. Basic earnings per share attributable to the shareholders of the Company grew from HK\$19.91 cents in 2006 to HK\$29.56 cents in 2007. Revenue of the Group is approximately HK\$765 million, represents a decrease of 42% from 2006.

Material acquisition and disposal of Group companies

On 5th April 2007, the Company entered into an agreement for the sale of its 65% interest in Kunshan Traders Park Hotel Company Limited ("Kunshan Hotel") to an international investment group, Kingdom Hotel Investments, an independent third party, at a consideration of approximately RMB201.5 million. The transaction was completed on 30th April 2007, thereafter the Group has no interest in Kunshan Hotel and the net gain on disposal in 2007 was approximately HK\$147 million.

On 27th June 2007, the Company acquired from its major shareholder and director, Mr. Lao Yuan-Yi and his daughter, Ms. Lao Yuan, Vivian, 100% of the share capital of and the benefit of loans of approximately HK\$21 million advanced to HK Sunshine Real Estate Limited and its wholly owned subsidiary, Wuxi Sunshine Real Estate Limited (together, the "Sunshine Group") which owns a piece of land with gross floor area of 79,000 square meters in Wuxi, Jiangsu Province. The aggregate consideration is approximately HK\$54 million, of which approximately HK\$22 million was settled in cash and the balance of approximately HK\$32 million was settled by the issue of convertible bonds of the Company.

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 2007, the Group had raised bank loans of approximately HK\$3 million (2006: HK\$147 million) and held approximately HK\$577 million (2006: HK\$476 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.1% (2006: 8.7%). Investment in "financial assets at fair value through income statement" as at 31st December 2007 amounted to approximately HK\$425 million (2006: HK\$158 million). The "financial liabilities at fair value through income statement" as at 31st December 2007 amounted to approximately HK\$6 million (2006: Nil).

During the year, 95,000,000 (2006: Nil) new ordinary shares of HK\$0.2 each were issued pursuant to a Placing Agreement and two Top-up Subscription Agreements dated 7th June 2007 at a placing price of HK\$2.05 per ordinary share. Net proceeds of approximately HK\$194,720,000 has been raised to finance the Group's general working capital. These shares rank pari passu with the existing shares of the Company.

On 27th June 2007, the Company issued two-year 1% convertible bonds with a face value of approximately HK\$31,860,000 in relation to the acquisition of the Sunshine Group as stated above. In November 2007, 24,136,363 new ordinary shares of HK\$0.2 each were issued on full conversion of such convertible bonds, at an exercise price of HK\$1.32 per ordinary share. These shares rank pari passu with the existing shares of the Company.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will appreciate 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\$59 million (2006: HK\$76 million) and fixed deposits of approximately HK\$33 million (2006: HK\$32 million) against its bank loans and general banking facilities amounting to HK\$18 million (2006: HK\$161 million) utilised.

Employees

As at 31st December 2007, the Group employed 515 staff, of which 416 are located in the 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 2007 amounted to approximately HK\$210 million (2006: HK\$196 million).

Contingent liabilities

As at 31st December 2007, the Group had no material contingent liabilities.

DIVIDEND

An interim dividend of HK\$0.02 (2006: HK\$0.02) per ordinary share, totalling HK\$27,321,000 (2006: HK\$23,877,000), was paid to shareholders of the Company on 29th October 2007.

The Board of Directors recommends the payment of a final dividend of HK\$0.01 (2006: HK\$0.005) per ordinary share, totalling HK\$13,915,000 (2006: HK\$6,130,000), which together with the interim dividend payment amounting to a total of HK\$41,236,000 (2006: HK\$30,007,000).

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 ("Stock Exchange") during the year ended 31st December 2007.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board of Directors was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. Kwok Lam Kwong, Larry, J.P. and the four independent non-executive Directors, Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qi-Hao 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 2007, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the Group's 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-Chai Wei, Mr. Yu Qi-Hao 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 on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31st December 2007, except for the following deviations:

a) Code Provision A.2.1

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.

b) Code Provision A 4.2

This Code stipulates that every director should be subject to retirement by rotation at least once every three years. However, according to the Articles of Association of the Company, at each annual general meeting one-third of the directors for the time being shall retire from office. The Articles of Association constitutes a deviation from the CG Code. The management will propose to amend the Articles of Association to comply with the code provision A.4.2 in the Annual General Meeting to be held on 23rd May 2008.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of the Listing Rules (“Model Code”). 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 Tuesday, 20th May 2008 to Friday, 23rd May 2008, 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 4:00 p.m. on Friday, 16th May 2008.

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 "Latest Listed Company Information" and the Company at <http://www.firstshanghai.com.hk> under "Press Release". The 2007 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 "Latest 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 and one non-executive director, Mr. Kwok Lam Kwong Larry JP and four independent non-executive directors, being Prof Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qi-Hao and Mr. Zhou Xiaohe.

On behalf of the Board
LAO Yuan-Yi
Chairman

Hong Kong, 18th April 2008