

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 2017

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2017 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2017 HK\$'000	2016 HK\$'000
Revenue	4	208,872	177,152
Cost of sales		(49,817)	(45,429)
Gross profit		159,055	131,723
Other gains/(losses) – net	5	35,430	(110,946)
Selling, general and administrative expenses		(155,819)	(109,734)
Operating profit/(loss)	4 and 6	38,666	(88,957)
Finance income		14,431	9,245
Finance costs		(9,529)	(7,662)
Finance income – net		4,902	1,583
Share of results of			
– Associated companies		–	(1,523)
– Joint ventures		3,783	4,720
Profit/(loss) before taxation		47,351	(84,177)
Taxation	7	(20,893)	(11,295)
Profit/(loss) for the period		26,458	(95,472)
Attributable to:			
Shareholders of the Company		24,155	(96,822)
Non-controlling interests		2,303	1,350
		26,458	(95,472)
Earnings/(losses) per share attributable to shareholders of the Company			
– Basic	8	HK1.70 cents	HK(6.83) cents
– Diluted	8	HK1.70 cents	HK(6.83) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	26,458	(95,472)
Other comprehensive income/(loss)		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Fair value (loss)/gain on available-for-sale financial assets	(27,773)	11,268
– Exchange reserve realised upon disposal of a joint venture	(3,373)	–
– Currency translation differences	44,455	(17,439)
– Reserves realised upon disposal of an associated company	–	(157,843)
– Share of post-acquisition reserves of an associated company	–	(53,463)
Other comprehensive income/(loss) for the period, net of tax	13,309	(217,477)
Total comprehensive income/(loss) for the period	39,767	(312,949)
Attributable to:		
Shareholders of the Company	35,330	(312,668)
Non-controlling interests	4,437	(281)
	39,767	(312,949)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
	<i>Note</i>		
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		428,659	383,519
Investment properties		538,581	481,441
Leasehold land and land use rights		45,599	45,733
Investments in joint ventures		205,832	239,323
Deposits		35,491	–
Deferred tax assets		5,773	6,843
Available-for-sale financial assets		227,483	255,256
Loans and advances		<u>3,562</u>	<u>4,575</u>
Total non-current assets		<u>1,493,106</u>	<u>1,418,816</u>
Current assets			
Inventories		589,129	587,830
Loans and advances		1,228,726	1,314,308
Trade receivables	10	593,954	211,100
Other receivables, prepayments and deposits		65,949	47,224
Tax recoverable		10,740	12,039
Financial assets at fair value through profit or loss		32,373	19,564
Deposits with banks		25,959	23,947
Client trust bank balances		2,720,604	3,050,357
Cash and cash equivalents		<u>273,572</u>	<u>275,453</u>
Total current assets		<u>5,541,006</u>	<u>5,541,822</u>
Current liabilities			
Trade and other payables	11	3,570,196	3,537,436
Tax payable		33,741	27,606
Borrowings		<u>333,250</u>	<u>346,175</u>
Total current liabilities		<u>3,937,187</u>	<u>3,911,217</u>
Net current assets		<u>1,603,819</u>	<u>1,630,605</u>
Total assets less current liabilities		<u>3,096,925</u>	<u>3,049,421</u>

	Unaudited	Audited
	30th June	31st December
	2017	2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	69,206	56,026
Borrowings	209,119	213,525
	<u>278,325</u>	<u>269,551</u>
Total non-current liabilities	278,325	269,551
Net assets	2,818,600	2,779,870
Equity		
Share capital	1,162,940	1,162,940
Reserves	1,583,834	1,548,504
	<u>2,746,774</u>	<u>2,711,444</u>
Capital and reserves attributable to the Company's shareholders	2,746,774	2,711,444
Non-controlling interests	71,826	68,426
	<u>2,818,600</u>	<u>2,779,870</u>
Total equity	2,818,600	2,779,870

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

This unaudited condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated.

The financial information relating to the year ended 31st December 2016 that is included in the condensed consolidated financial information for the six months ended 30th June 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company’s auditor has reported on these consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 25th August 2017.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2017 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 2016, 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 2016, as described in those annual financial statements.

- (a) There are no Standards, amendments, revisions and interpretations to existing Standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.
- (b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

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:

- Financial services
- 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 company and joint ventures.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash.

The unaudited segment results of the Group for the six months ended 30th June 2017 are as follows:

	Unaudited				HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	<u>143,012</u>	<u>4,621</u>	<u>59,042</u>	<u>2,197</u>	<u>208,872</u>
Segment results	<u>64,366</u>	<u>(6,306)</u>	<u>33,272</u>	<u>(33,476)</u>	57,856
Unallocated net operating expenses					<u>(19,190)</u>
Operating profit					38,666
Finance income – net					4,902
Share of results of joint ventures	-	-	4,008	(225)	<u>3,783</u>
Profit before taxation					<u>47,351</u>

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

The unaudited segment results of the Group for the six months ended 30th June 2016 are as follows:

	Unaudited				HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Direct investment HK\$'000	
Revenue	<u>112,831</u>	<u>5,408</u>	<u>56,244</u>	<u>2,669</u>	<u>177,152</u>
Segment results	<u>48,936</u>	<u>(2,774)</u>	<u>7,253</u>	<u>(122,197)</u>	(68,782)
Unallocated net operating expenses					<u>(20,175)</u>
Operating loss					(88,957)
Finance income – net					1,583
Share of results of					
– Associated company	-	-	-	(1,523)	(1,523)
– Joint ventures	-	-	4,468	252	<u>4,720</u>
Loss before taxation					<u>(84,177)</u>

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

The unaudited segment assets of the Group as at 30th June 2017 are as follows:

	Unaudited				HK\$'000
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	4,743,643	696,568	1,060,682	290,095	6,790,988
Investment in a joint venture	-	-	205,832	-	205,832
Tax recoverable					10,740
Deferred tax assets					5,773
Corporate assets					20,779
Total assets					<u>7,034,112</u>

The audited segment assets of the Group as at 31st December 2016 are as follows:

	Audited				HK\$'000
	Financial services	Property development	Property investment and hotel	Direct investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	4,723,238	647,715	964,733	278,234	6,613,920
Investments in joint ventures	-	-	201,215	38,108	239,323
Tax recoverable					12,039
Deferred tax assets					6,843
Corporate assets					88,513
Total assets					<u>6,960,638</u>

5. OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Gain on disposal of a joint venture	354	-
Gain on disposal of investment properties	775	113
Fair value gains on investment properties	27,532	7,208
Net foreign exchange gain/(loss)	6,769	(367)
Loss on disposal of an associated company	-	(117,900)
	<u>35,430</u>	<u>(110,946)</u>

6. OPERATING PROFIT/(LOSS)

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

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Charging:		
Depreciation	6,557	7,653
Amortisation of leasehold land and land use rights	775	813
Staff costs	<u>92,309</u>	<u>85,382</u>

7. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	7,147	6,685
Overseas profits tax		
– Current	1,477	1,043
– Under-provision in previous years	2	34
Land appreciation tax	348	335
Deferred taxation	<u>11,919</u>	<u>3,198</u>
Taxation charge	<u>20,893</u>	<u>11,295</u>

8. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of approximately HK\$24,155,000 (2016: Group's losses attributable to shareholders of approximately HK\$96,822,000). The basic earnings/(losses) per share is based on the weighted average number of 1,418,973,012 (2016: 1,417,250,484) shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue during the period.

For the six months ended 30th June 2016, diluted losses per share 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 2017 (2016: Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
Due from stockbrokers and clearing houses	523,026	166,603
Due from stockbroking clients	62,472	30,806
Trade receivables	<u>23,584</u>	<u>28,251</u>
	609,082	225,660
Provision for impairment	<u>(15,128)</u>	<u>(14,560)</u>
	<u>593,954</u>	<u>211,100</u>

All trade receivables are either repayable within one year or on demand. The fair value of the 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 2017 and 31st December 2016, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2017 HK\$'000	Audited 31st December 2016 HK\$'000
0-30 days	591,642	209,481
31-60 days	383	1,140
61-90 days	1,365	441
Over 90 days	<u>564</u>	<u>38</u>
	<u>593,954</u>	<u>211,100</u>

11. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30th June	31st December
	2017	2016
	HK\$'000	HK\$'000
Due to stockbrokers and dealers	54,052	12,003
Due to stockbroking clients	3,180,480	3,239,624
Trade payables	151,572	140,774
	<hr/>	<hr/>
Total trade payables	3,386,104	3,392,401
Advance receipts from customers	20,721	16,104
Accruals and other payables	163,371	128,931
	<hr/>	<hr/>
	3,570,196	3,537,436
	<hr/> <hr/>	<hr/> <hr/>

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 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\$2,720,604,000 (31st December 2016: HK\$3,050,357,000).

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 2017 and 31st December 2016, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited	Audited
	30th June	31st December
	2017	2016
	HK\$'000	HK\$'000
0-30 days	136,639	124,771
31-60 days	1,554	3,385
61-90 days	1,256	1,924
Over 90 days	12,123	10,694
	<hr/>	<hr/>
	151,572	140,774
	<hr/> <hr/>	<hr/> <hr/>

MARKET OVERVIEW

In the first half of 2017, the global economy has witnessed general recovery with noticeable improvement on consumption and employment rate in the US and European countries, and the gradual rebound on investments and exports statistics in emerging countries. The financial market showed positive sentiment following the Trump Trades since late 2016. Major stock indices in the US hit record highs tracking market expectation with stimulus policies from the new US Government and positive statistic data on retail consumption and employment. Financial markets of European countries also picked up with continuous quantitative easing program and fairly stable political environment. On the other hand, investment sentiment was still hindered with the uncertainty on timetable of interest rate hike by the US Fed.

In China, following austerity measures focused on structural adjustments and risk management and prudent but supportive monetary policies implemented by the Central Government, the general economy marked obvious recovery with solid GDP growth, especially on the property markets. The financial market remained steady with expectation that the Chinese economy will further improve with growth in capital investments and exports, and stabilisation on Renminbi currency rate and liquidity outflows. However, worrying about tight liquidity and restrictive measures on speculative activities, composite indices from both Shanghai and Shenzhen were still underperformed in comparing with stock indices of major financial markets.

During the reporting period, the Hong Kong economy remained challenging. Being China's offshore risk management centre, the financial market outperformed with Hang Seng Index raised by 17% from 22,000 points to 25,764 points tracking flooding of liquidity inflow. Investment appetite was enlarged with increase in trading activities. Average daily market turnover in the first half of 2017 grew by 13% when compared with the same period of 2016. However, the market was interwoven with uncertainties on timing of the US interest rate hike, and possible risk on correction of the high property valuation.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector, Property and Hotel Sector and Direct Investment Sector, especially the new healthcare business in Hong Kong. For the first half of 2017, the Group experienced general improvement for all business sectors, except the pharmaceutical and healthcare business which was affected by the pre-operating expenses incurred for the new medical centre in Hong Kong.

During the reporting period, Financial Services Sector benefited from market liquidity and improvement on investment sentiment. The Group has recorded satisfactory contribution from both brokerage and corporate finance businesses. The performance from Financial Services Sector was improved with expansion on market activities of Hong Kong financial market. Revenue from stock brokerage business grew with increase in market turnover, despite the fact that revenue from global commodities brokerage business reported slight reduction with market volatility. Our margin financing business remained steady and has generated stable income to the Group during the reporting period. This was primarily benefited from the expansion of our customer base and research team over recent years. While devoted to providing comprehensive financial services to our customers, we will continue to widen our product range and service scope so as to align ourselves with the market growth. We will also continue to closely monitor the market situation and implement cautious and proactive strategy so as to pursue sustainable and stable growth of the Group.

In 2017, in a new regulation situation, our corporate finance business is facing a challenging year. We were engaged by numerous renowned Hong Kong listed companies to act as financial adviser and independent financial adviser for cases including but not limited to general offer, acquisitions and disposals, and a variety of continuing connected transactions. With market concern in strengthening regulation on listing in Hong Kong, IPO transactions and fund raising activities were delayed, especially on sizeable deals. Yet our experienced professional team was able to complete a sizeable general offer for a listed company on the Main Board enabling us to generate a significant increase in income for the first half of 2017. This impact was partially offset by the slight reduction in sponsorship fee generated from various IPO cases with slight delay in schedule to the second half of the year. Corporate finance service is part of the extensive financial services we offer. Our corporate finance division and other divisions will continue to contribute to generate synergy and strive for further success.

During the first half of 2017, the Central Government continued the previously adopted accommodative monetary measures to maintain the economic growth and structural reform. In the meantime, the Central Government also implemented new measures to pinpoint and overcome the polarized properties market in different tiers of cities and to discourage properties speculation. The property market of the first and second tiers cities boosted with rigid market demand, while third and fourth tiers cities were still suffering from oversupply and high inventories level. Our property development and investment business was hindered by the huge inventory level and limitation on product mixture. And sale of property still underperformed during the reporting period. However, we have notable growth in operating profit due to increase in properties revaluation gain, tracking to the recovery of the Chinese property market. We target to complete Huangshan project by end of 2017 and will continue to focus on completion of other development projects on hand.

In the first half of 2017, we make use of the sale proceed from the disposal of China Assets to set up a medical centre in Central, Hong Kong, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland in a single location with total gross floor area up to 53,500 square feet. We target to soft open the medical centre by the last quarter of 2017 and expect it to be the new profit motivator of the Direct Investment Sector in the long run.

For the six months ended 30th June 2017, the Group reported a net profit attributable to shareholders of approximately HK\$24 million, as compared with a net loss of approximately HK\$97 million in the corresponding period of 2016. The basic earnings per share attributable to the shareholders of the Company was HK1.70 cents when compared with the basic losses per share of HK6.83 cents recorded in the corresponding period of 2016.

FINANCIAL REVIEW

For the six months ended 30th June 2017, the Group reported a net profit attributable to shareholders of approximately HK\$24 million, as compared with a net loss of approximately HK\$97 million in the corresponding period of 2016. The improvement in the results was mainly attributable to the absence of recognition of a non-cash accounting loss on disposal of a listed associated company, China Assets (Holdings) Limited (stock code: 170), in the previous year amounted HK\$118 million. During the first half of 2017, the Group has also recorded significant increase in revaluation gain of investment properties held in Chinese Mainland by approximately HK\$20 million. The impact was partially offset by the rental expenses incurred amounted approximately HK\$22 million during the pre-operating stage of a new medical centre to be set up in Hong Kong. Besides, the overall result was further improved with increase in commission income from stock brokerage business marked to the robust market turnover and increase in trading profit from asset management arm. The basic earnings per share attributable to the shareholders of the Company was HK1.70 cents. Revenue of the Group was approximately HK\$209 million, representing an increase by 18% over the same period of 2016. Total net assets of the Group reported slight increment by 1% to approximately HK\$2,819 million when compared with approximately HK\$2,780 million as at 31st December 2016.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. For the first half of 2017, the operating profit reported from Financial Services Sector raised by 32% when compared with 2016. This was mainly attributable to the robust of trading activities in Hong Kong stock market and the increase in contribution from our corporate finance team after successful execution of a sizable general offer for a listed company on the Main Board.

During the reporting period, fruitful from being China's offshore capital risk management centre and the improve profitability of most Hong Kong listed companies, capital funds flooded into the Hong Kong stock market and boosted the trading activities. The average daily market turnover increased by 13% from HK\$67.5 billion in the first half of 2016 to HK\$76.0 billion when compared with 2017. Our brokerage business, with wide customer base, followed the market trend, and reported an increase in brokerage commission income by 29% for the first half of 2017. In addition, with the improved market sentiment, our asset management team was able to capture the growing momentum and generated significant trading gain from securities investment.

Tracking our corporate finance business, we continued to focus on financial advisory cases during the reporting period. For the six months ended 30th June 2017, eleven financial advisory cases and one general offer case were completed. In addition, five IPO cases were under processing. Income from advisory services increased by more than 1.5 times as a result of the completion of a sizable general offer for a listed company on the Main Board.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operation. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2017, operating profit from Property and Hotel Sector increased by more than 5 times as compared with the corresponding period last year marked to the significant rise in property market prices. However, revenue from sales of properties decreased by 15% as compared to the corresponding period in 2016 due to sluggish commercial property market at Wuxi New District. We will continue to adjust our product mix and focus on completion of development projects on hand in the second half of 2017.

Our property investment and management business, one of the steady income generators of the Group, reported an increase in revenue by 10% as compared with the corresponding period in 2016. For investment properties held by the Group, valuation gain increased by 282% as compared to the corresponding period in 2016 marked to the general increase in property prices.

For the six months ended 30th June 2017, revenue from hotel and golf operation slightly increased by 4% as compared with the corresponding period in 2016. It was mainly attributable to the improvement in occupancy rate, partially offset by the reduction in average room rate due to keen market competition.

Direct Investment

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. During the reporting period, the Group started its healthcare business in Hong Kong and is setting up a medical centre in Central. For the six months ended 30th June 2017, during the pre-operating stage of the medical centre, the Group has incurred rental expenses of approximately HK\$22 million. However, operating loss from Direct Investment Sector reported significant drops by 73% as compared to the corresponding period in 2016. It was mainly attributable to the absence of an one-off non-cash accounting loss on disposal of China Assets, amounted to approximately HK\$118 million in the previous year.

PROSPECTS

Looking forward, we are cautiously optimistic over the economic outlook of Chinese Mainland and Hong Kong. We expect the Central Government will continue to intensify various supportive measures to strengthen structural reform of the economy and stabilise market speculative activities for development of long term economic growth. We believe the US Fed and the European Central Bank will be keen on adopting a steady and cautious approach on the pace of interest rate hike. Various geopolitical risks may affect market sentiment but not likely to generate long term adverse impact to Hong Kong economy.

Benefited with sound liquidity and improvement on overseas financial markets, we believe the Hong Kong financial market will continue its momentum in the second half of 2017. Despite the challenges from the US interest rate hike and the increasing geopolitical risk, we are conservatively optimistic on business growth of our Financial Services Sector. We will maintain a cautious and proactive approach regarding the credit control of our margin financing business, continue to upgrade our online trading platform, and strengthen our customer base. Backed up by experienced expertise and having sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we commit to continuously enhance our service and strengthen our business platform for further expansion.

We will consistently push forward our existing investment strategy on Direct Investment Sector by focusing on continuous expansion on pharmaceutical and healthcare business. We will also continue to seek future opportunities to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MATERIAL ACQUISITION AND DISPOSAL

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2017 (2016: 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 period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the “CG Code”) of the Listing Rules throughout the period, except for the deviation from code provision A.2.1 of the CG Code.

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from code provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to assist the Board to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The Remuneration Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Remuneration Committee was set up to assist the Board to establish a coherent remuneration policy and to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee was set up to ensure proper financial reporting, risk management and internal control systems are in place and follow.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters, including a review of the unaudited consolidated interim results for the six months ended 30th June 2017 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 for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2017.

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 “Investor Relations – Corporate Announcement – Results Announcements”. The 2017 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 “Investor Relations – Interim and Annual 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, *S.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
First Shanghai Investments Limited
LO Yuen Yat
Chairman

Hong Kong, 25th August 2017