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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 2018**

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 2018 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Unaudited | |
|-----------------------------------------------------------------------|-------------|-----------------------------------|---------------------|
| | | Six months ended 30th June | |
| | | 2018 | 2017 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 4 | 262,880 | 208,872 |
| Cost of sales | | <u>(87,982)</u> | <u>(49,817)</u> |
| Gross profit | | 174,898 | 159,055 |
| Other (losses)/gains – net | 5 | (6,827) | 35,430 |
| Selling, general and administrative expenses | | <u>(163,292)</u> | <u>(155,819)</u> |
| Operating profit | 4 and 6 | <u>4,779</u> | <u>38,666</u> |
| Finance income | | 20,711 | 14,431 |
| Finance costs | | <u>(13,612)</u> | <u>(9,529)</u> |
| Finance income – net | | <u>7,099</u> | <u>4,902</u> |
| Share of results of joint ventures | | <u>4,882</u> | <u>3,783</u> |
| Profit before taxation | | 16,760 | 47,351 |
| Taxation | 7 | <u>789</u> | <u>(20,893)</u> |
| Profit for the period | | <u>17,549</u> | <u>26,458</u> |
| Attributable to: | | | |
| Shareholders of the Company | | 19,776 | 24,155 |
| Non-controlling interests | | <u>(2,227)</u> | <u>2,303</u> |
| | | <u>17,549</u> | <u>26,458</u> |
| Earnings per share attributable to shareholders of the Company | | | |
| – Basic | 8 | <u>HK1.39 cents</u> | <u>HK1.70 cents</u> |
| – Diluted | 8 | <u>HK1.39 cents</u> | <u>HK1.70 cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited | |
|------------------------------------------------------------------------------------------------|-----------------------------------|-----------------|
| | Six months ended 30th June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Profit for the period | <u>17,549</u> | <u>26,458</u> |
| Other comprehensive (loss)/income | | |
| <i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i> | | |
| – Fair value loss on available-for-sale financial assets | – | (27,773) |
| – Exchange reserve realised upon disposal of a joint venture | – | (3,373) |
| – Currency translation differences | (20,217) | 44,455 |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| – Fair value loss on financial assets at fair value through other comprehensive income | <u>(27,413)</u> | – |
| Other comprehensive (loss)/income for the period, net of tax | <u>(47,630)</u> | <u>13,309</u> |
| Total comprehensive (loss)/income for the period | <u>(30,081)</u> | <u>39,767</u> |
| Attributable to: | | |
| Shareholders of the Company | (27,291) | 35,330 |
| Non-controlling interests | <u>(2,790)</u> | <u>4,437</u> |
| | <u>(30,081)</u> | <u>39,767</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited 30th June 2018 <i>HK\$'000</i> | Audited 31st December 2017 <i>HK\$'000</i> |
|-------------------------------------------------------------------|-------------|---------------------------------------------------|-----------------------------------------------------|
| | <i>Note</i> | | |
| Non-current assets | | | |
| Intangible assets | | 2,126 | 2,126 |
| Property, plant and equipment | | 660,104 | 608,417 |
| Investment properties | | 561,408 | 566,029 |
| Leasehold land and land use rights | | 44,635 | 45,636 |
| Investment in a joint venture | | 219,927 | 224,037 |
| Deferred tax assets | | 24,483 | 17,405 |
| Available-for-sale financial assets | <i>3(b)</i> | – | 184,630 |
| Financial assets at fair value through other comprehensive income | <i>3(b)</i> | 157,217 | – |
| Loans and advances | | 2,278 | 3,750 |
| Finance lease receivables | | 812 | 1,042 |
| Other non-current prepayments and deposits | | 35,754 | 49,322 |
| Total non-current assets | | 1,708,744 | 1,702,394 |
| Current assets | | | |
| Inventories | | 604,865 | 634,110 |
| Loans and advances | | 1,379,788 | 1,534,062 |
| Trade receivables | <i>10</i> | 318,288 | 222,365 |
| Other receivables, prepayments and deposits | | 79,644 | 70,630 |
| Finance lease receivables | | 517 | 298 |
| Tax recoverable | | 10,792 | 11,351 |
| Financial assets at fair value through profit or loss | | 22,191 | 26,314 |
| Deposits with banks | | 38,289 | 24,264 |
| Client trust bank balances | | 3,519,115 | 2,781,688 |
| Cash and cash equivalents | | 384,699 | 246,375 |
| Total current assets | | 6,358,188 | 5,551,457 |
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 4,278,921 | 3,629,814 |
| Tax payable | | 39,942 | 29,758 |
| Borrowings | | 657,943 | 441,523 |
| Total current liabilities | | 4,976,806 | 4,101,095 |
| Net current assets | | 1,381,382 | 1,450,362 |
| Total assets less current liabilities | | 3,090,126 | 3,152,756 |

| | <i>Note</i> | Unaudited 30th June 2018 HK\$'000 | Audited 31st December 2017 HK\$'000 |
|--------------------------------------------------------------------|-------------|------------------------------------------------------|----------------------------------------------|
| Non-current liabilities | | | |
| Deferred tax liabilities | | 60,708 | 67,226 |
| Borrowings | | 183,251 | 205,764 |
| Other non-current liabilities | | 17,641 | 18,232 |
| | | <u>261,600</u> | <u>291,222</u> |
| Total non-current liabilities | | 261,600 | 291,222 |
| Net assets | | 2,828,526 | 2,861,534 |
| Equity | | | |
| Share capital | | 1,162,940 | 1,162,940 |
| Reserves | | 1,593,786 | 1,624,004 |
| | | <u>2,756,726</u> | <u>2,786,944</u> |
| Capital and reserves attributable to the Company's shareholders | | 2,756,726 | 2,786,944 |
| Non-controlling interests | | 71,800 | 74,590 |
| | | <u>2,828,526</u> | <u>2,861,534</u> |
| Total equity | | 2,828,526 | 2,861,534 |

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, medical and healthcare services, 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 2017 that is included in the condensed consolidated financial information for the six months ended 30th June 2018 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 2017 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 24th August 2018.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2018 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 2017, 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 2017, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of the following standards:

| | |
|----------|---------------------------------------|
| HKFRS 9 | Financial Instruments; and |
| HKFRS 15 | Revenue from Contracts with Customers |

The impact of the adoption of these new accounting standards are disclosed in Note 3(b) below. The other standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of changes in accounting policies

The adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions, the Group adopted the modified retrospective approach and comparative figures have not been restated. Details of the impact are set out below:

(i) HKFRS 9 — Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The impact on the Group's retained earnings as at 1st January 2018 were decreased by HK\$2,927,000. Reclassification has been recorded from "Available-for-sale financial assets" to "Financial assets at fair value through other comprehensive income" amounted to HK\$184,630,000 and from "Investment revaluation reserve" to "Financial assets at fair value through other comprehensive income reserve" amounted to HK\$124,224,000 as at 1st January 2018.

(ii) HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11 *Construction contracts*, which specified the accounting for construction contracts. The adoption of HKFRS 15 has no material impact to the Group's retained earnings as at 1st January 2018 and to the Group's financial position and results of operation for the period. However, certain "Other payables — advance receipts from customers" amounting to HK\$34,589,000 have been reclassified as "Other payables — contract liabilities" as at 1st January 2018 upon adoption of HKFRS 15.

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
- Medical and healthcare
- Direct investment

The Board assesses the performance of the operating segments based on a measure of segment results and share of results of 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 2018 are as follows:

| | Unaudited | | | | | HK\$'000 |
|-------------------------------------|--------------------------------|----------------------------------|-------------------------------------------|------------------------------------|-------------------------------|-----------------|
| | Financial services HK\$'000 | Property development HK\$'000 | Property investment and hotel HK\$'000 | Medical and healthcare HK\$'000 | Direct investment HK\$'000 | |
| Revenue | <u>156,640</u> | <u>30,618</u> | <u>62,748</u> | <u>10,373</u> | <u>2,501</u> | <u>262,880</u> |
| Segment results | <u>71,918</u> | <u>5,881</u> | <u>(8,292)</u> | <u>(38,412)</u> | <u>(4,371)</u> | 26,724 |
| Unallocated net operating expenses | | | | | | <u>(21,945)</u> |
| Operating profit | | | | | | 4,779 |
| Finance income – net | | | | | | 7,099 |
| Share of results of a joint venture | – | – | 4,882 | – | – | <u>4,882</u> |
| Profit before taxation | | | | | | <u>16,760</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 2017 are as follows:

| | Unaudited | | | | |
|------------------------------------|---------------------------------------|-----------------------------------------|--------------------------------------------------|--------------------------------------|-----------------|
| | Financial services <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Property investment and hotel <i>HK\$'000</i> | Direct investment <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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 assets of the Group as at 30th June 2018 are as follows:

| | Unaudited | | | | | |
|-------------------------------|---------------------------------------|-----------------------------------------|--------------------------------------------------|-------------------------------------------|--------------------------------------|------------------|
| | Financial services <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Property investment and hotel <i>HK\$'000</i> | Medical and healthcare <i>HK\$'000</i> | Direct investment <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment assets | 5,532,708 | 711,631 | 1,235,642 | 137,163 | 171,668 | 7,788,812 |
| Investment in a joint venture | – | – | 219,927 | – | – | 219,927 |
| Tax recoverable | | | | | | 10,792 |
| Deferred tax assets | | | | | | 24,483 |
| Corporate assets | | | | | | <u>22,918</u> |
| Total assets | | | | | | <u>8,066,932</u> |

The audited segment assets of the Group as at 31st December 2017 are as follows:

| | Audited | | | | | <i>HK\$'000</i> |
|-------------------------------|---------------------------------------|-----------------------------------------|--------------------------------------------------|-------------------------------------------|--------------------------------------|-------------------------|
| | Financial services <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Property investment and hotel <i>HK\$'000</i> | Medical and healthcare <i>HK\$'000</i> | Direct investment <i>HK\$'000</i> | |
| Segment assets | 4,691,949 | 748,305 | 1,215,122 | 123,947 | 202,994 | 6,982,317 |
| Investment in a joint venture | – | – | 224,037 | – | – | 224,037 |
| Tax recoverable | | | | | | 11,351 |
| Deferred tax assets | | | | | | 17,405 |
| Corporate assets | | | | | | <u>18,741</u> |
| Total assets | | | | | | <u><u>7,253,851</u></u> |

5. OTHER (LOSSES)/GAINS – NET

| | Unaudited | |
|----------------------------------------------------|----------------------------------------------------|-------------------------|
| | Six months ended 30th June 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
| Gain on disposal of a joint venture | – | 354 |
| Gain on disposal of investment properties | – | 775 |
| Fair value (losses)/gains on investment properties | (12,111) | 27,532 |
| Net foreign exchange gain | <u>5,284</u> | <u>6,769</u> |
| | <u><u>(6,827)</u></u> | <u><u>35,430</u></u> |

6. OPERATING PROFIT

The following items have been charged to the operating profit during the interim period:

| | Unaudited | |
|----------------------------------------------------|----------------------------------------------------|-------------------------|
| | Six months ended 30th June 2018 <i>HK\$'000</i> | 2017 <i>HK\$'000</i> |
| Charging: | | |
| Depreciation | 14,008 | 6,557 |
| Amortisation of leasehold land and land use rights | 833 | 775 |
| Impairment loss on financial assets | 2,775 | – |
| Staff costs | <u>109,084</u> | <u>92,309</u> |

7. TAXATION

The amount of taxation (credited)/charged to the condensed consolidated income statement represents:

| | Unaudited | |
|-------------------------------------|-----------------------------------|-----------------|
| | Six months ended 30th June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | | |
| – Current | 10,127 | 7,147 |
| – Over-provision in previous years | (13) | – |
| Overseas profits tax | | |
| – Current | 1,245 | 1,477 |
| – Under-provision in previous years | 17 | 2 |
| Land appreciation tax | 894 | 348 |
| Deferred taxation | (13,059) | 11,919 |
| | <hr/> | <hr/> |
| Taxation (credit)/charge | (789) | 20,893 |
| | <hr/> <hr/> | <hr/> <hr/> |

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$19,776,000 (2017: HK\$24,155,000). The basic earnings per share is based on the weighted average number of 1,418,973,012 (2017: 1,418,973,012) 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.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2018 (2017: Nil).

10. TRADE RECEIVABLES

| | Unaudited | Audited |
|-------------------------------------------|------------------------------|------------------------|
| | 30th June | 31st December |
| | 2018 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Due from stockbrokers and clearing houses | 233,199 | 97,688 |
| Due from stockbroking clients | 73,745 | 118,750 |
| Trade receivables | <u>26,718</u> | <u>21,543</u> |
| | 333,662 | 237,981 |
| Provision for impairment | <u>(15,374)</u> | <u>(15,616)</u> |
| | <u><u>318,288</u></u> | <u><u>222,365</u></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 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 2018 and 31st December 2017, the ageing analysis of trade receivables based on invoice date is as follows:

| | Unaudited | Audited |
|--------------|------------------------------|------------------------|
| | 30th June | 31st December |
| | 2018 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0–30 days | 314,450 | 220,179 |
| 31–60 days | 1,669 | 1,833 |
| 61–90 days | 379 | 123 |
| Over 90 days | <u>1,790</u> | <u>230</u> |
| | <u><u>318,288</u></u> | <u><u>222,365</u></u> |

11. TRADE AND OTHER PAYABLES

| | Unaudited | Audited |
|-------------------------------------------------|-------------------------|-------------------------|
| | 30th June | 31st December |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Due to stockbrokers and dealers | 22,659 | 7,705 |
| Due to stockbroking clients and clearing houses | 3,878,499 | 3,198,960 |
| Trade payables | <u>176,286</u> | <u>203,570</u> |
| | | |
| Total trade payables | 4,077,444 | 3,410,235 |
| Advance receipts from customers | – | 34,589 |
| Contract liabilities | 26,604 | – |
| Accruals and other payables | <u>174,873</u> | <u>184,990</u> |
| | <u>4,278,921</u> | <u>3,629,814</u> |

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the 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\$3,519,115,000 (31st December 2017: HK\$2,781,688,000).

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 and clearing houses as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

At 30th June 2018 and 31st December 2017, the ageing analysis of trade payables based on invoice date is as follows:

| | Unaudited | Audited |
|--------------|-----------------------|-----------------------|
| | 30th June | 31st December |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| 0–30 days | 140,262 | 188,920 |
| 31–60 days | 2,515 | 2,534 |
| 61–90 days | 1,172 | 1,577 |
| Over 90 days | <u>32,337</u> | <u>10,539</u> |
| | <u>176,286</u> | <u>203,570</u> |

MARKET OVERVIEW

In the first half of 2018, the global financial markets were very volatile mainly due to international trade tension and a series of political issues. The economy of most major countries is recovering since 2017, but the growth is affected by the international trade protectionism initiated by the US. The US financial market has reported strong momentum with solid corporate earnings. However, there was increasing concern over tighter monetary policy and trade conflicts among various countries. In Europe, the situation is diversified. Political uncertainties were witnessed in Spain and Italy while with easing concerns about monetary tightening by the European Central Bank, general market sentiment was improved. In Asia, the financial market was volatile due to fluctuation on currency of various countries, political uncertainties in North Korea and unexpected periodic economic contraction in Japan.

In China, fruitful from constant increase in domestic consumption and improvement in manufacturing sector, the general economy continued to sustain with steady growth rate. Sound development was recorded on various servicing industries through deepening structural reform while new dynamic was demonstrated in new economic industries. On the other hand, the property market is faced with greater controls on price while tightening measures were implemented on various major cities, resulting in apparent regional differentiation. Tracking to worries over trade conflicts with the US, tightening policy on credit deleveraging and fluctuation in Renminbi, the stock market declined during the period under review.

In Hong Kong, the financial market reported historical high at the beginning of the year with rapid trading activities. However, since February, the stock market fluctuated vigorously with concerns on interest rate hikes and interbank liquidity due to the strong US dollar. Market momentum was weakened with concerns about trade conflicts among the US and China and the depreciation seen on Renminbi.

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, Medical and Healthcare Sector and Direct Investment Sector.

2018 was a challenging year with significant fluctuation witnessed on the financial market due to various external factors. Hang Seng Index rose to its historical high at 33,484 in January with trading volume increased significantly, outperformed from most regional and international markets. During the reporting period, the Financial Services Sector, with long established customer base and experienced expertise, was able to align with the market trend resulting in an encouraging growth rate on our brokerage and underwriting businesses. Besides, our corporate finance team was able to successfully launch one IPO transaction on the Main Board. However, the growth on overall operating profit from the Financial Services Sector has been reduced by the trading loss reported from securities investment tracking the volatile market and overall decline in stock prices.

During 2018, the property market in China as a whole reported stable development. Different regions have implemented different control measures despite the general government policy to hinder over-expansion of the industry which may affect the national economy. Overall market witnessed a clear regional differentiation. Our property development and investment business was continuously hindered by the huge inventory level due to limitation on product mixture and slow construction progress due to various regional policies. In spite of these, the Group has completed the development of the villas of Huangshan project in early 2018 and revenue from selling of some of the units was recognized during the reporting period. On the other hand, due to general reduction on property prices of our investment properties, the Group has recorded revaluation loss, as contrast to revaluation gain reported in last year, leading to a net operating loss from Property and Hotel Sector.

Since late 2017, the Group has committed to explore its presence in the medical and healthcare industry in Hong Kong, by setting up a new medical centre in Central, offering full ranges of medical and healthcare services. During the initial set up stage, we have invested substantive capital for the renovation and advanced medical equipments, especially at our imaging centre, day surgery centre, IVF centre and central pharmacy. In result, operating loss was reported with significant depreciation and rental expenses incurred. In the second half of 2018, we plan to cooperate with more strategic partners with different specialists and introduce more corporate clients so as to maximize the utilization rate of all service centres. It has always been our focus to strike a reasonable balance between the needs for near-term returns and long-term development, as well as the expectations of our customers and shareholders. Apart from operating our financial services business, we shall have the new medical centre as our new key profit generator in future.

FINANCIAL REVIEW

For the six months ended 30th June 2018, the Group reported a net profit attributable to shareholders of approximately HK\$20 million, representing a slight reduction as compared to approximately HK\$24 million reported from the corresponding period of 2017. This result was mainly attributable to the recognition of revaluation loss as contrast to revaluation gain recorded in last year, for the investment properties held by the Group. In addition, our securities investment portfolio recorded a trading loss due to the downward trends of the Hong Kong stock market. The impact was partially offset by the increase in brokerage commission income with higher market turnover recorded in early 2018 and the recognition of sales of certain properties of Huangshan property development project since 2018. The basic earnings per share attributable to the shareholders of the Company was HK1.39 cents. Revenue of the Group was approximately HK\$263 million, representing an increase by 26% over the same period of 2017 with the new revenue stream reported from our newly set up medical centre and the recognition of sales of flats in Huangshan. Total net assets of the Group reported slight decrease by 1% to approximately HK\$2,829 million when compared with approximately HK\$2,862 million as at 31st December 2017.

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 2018, the operating profit reported from Financial Services Sector raised by 12% when compared with 2017. This was mainly attributable to the robust of trading activities in the first quarter due to high market volatility and the increase in number of underwriting transactions completed by the Group in 2018.

During the reporting period, the Hong Kong stock market was extremely volatile while the market trading was active. The monthly market turnover reached HK\$3,541 billion in January 2018 when Hang Seng Index rose to a historical high. After the US announced its plans to increase the custom duty on Chinese products and the potential fight back responses from the Central Government in March 2018, trade war is about to begin. Negative sentiment spread over the Hong Kong stock market resulting in general drops in the financial market. Nevertheless, the average daily market turnover increased by 67% from HK\$76 billion in the first half of 2017 to HK\$127 billion when compared with that of 2018. Our brokerage business, with wide customer base, followed the market trend, and reported an increase in brokerage commission income by 38% in the first half of 2018. However, affected by the volatile market and overall declines in stock prices, a trading loss was reported from our securities investment business.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2018, we have launched one IPO transaction and completed eleven financial advisory cases. In addition, six IPO cases were under processing. Income from advisory services for 2018 decreased by 46% as there was a sizable general offer deal completed in the first half 2017 while most of our IPO cases were newly committed with limited recognisable income.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. 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 2018, due to general reduction on property prices, the Group has recorded revaluation loss on its investment properties. Operating loss from Property and Hotel Sector was reported as compared with operating profit in the corresponding period last year. However, revenue from sales of properties increased by 5.6 times as compared to the corresponding period in 2017 after the recognition of sales of certain flats from our Huangshan development project commencing 2018 following its construction completion. The Group will continue to focus on completion of development projects and sales of stocks.

Our property investment and management business, one of the steady income generators of the Group, reported an increase in revenue by 16% as compared with the corresponding period in 2017. For investment properties held by the Group, valuation loss of HK\$12 million was recorded as compared to valuation gain of HK\$28 million in the corresponding period in 2017 due to the general decrease in property prices.

For the six months ended 30th June 2018, revenue from hotel and golf operations slightly increased by 4% as compared with the corresponding period in 2017. It was mainly attributable to the improvement in average room rate due to increase in number of corporate clients.

Medical and Healthcare

The Group entered into the Medical and Healthcare Sector since late 2017 by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. Our business commenced with the imaging centre and check-up centre and has extended its services scope to day surgery centre and specialists clinic in 2018. For the six months ended 30th June 2018, revenue of HK\$10 million was recorded while there was no comparison figure for the corresponding period in 2017. Operating loss of HK\$38 million was recorded given the fact that the medical centre is not operating in full capacity while high rental and depreciation expenses on medical equipments were incurred.

Direct Investment

The Group aims to explore profitable investment opportunities in various industries so as to optimize returns to its shareholders. While no new direct investment has been launched in 2018, operating loss from Direct Investment Sector reported was approximately the same as compared with the corresponding period in 2017.

PROSPECTS

Looking forward, given the intensified trade conflicts between the US and China, increase in interest rates, the investors' pessimistic expectation about the economy and the concerns on downward trend of market valuation, we are of the view that economic imbalances and market fluctuation will continue for the rest of the year. Uncertainties on exchange rate of Renminbi and strong US dollar will also hinder international trade and thus economic growth. Being closely connected with the economy of Mainland China and as a financial hub with high liquidity on capital flow, Hong Kong will definitely be affected by all these factors in short run. On the other hand, we expect the Central Government will continue its sustainable measures to stabilize economic reform and promote revitalised policies to wipe out potential market risks in long run.

With experienced expertise and diversified business strategies, we will continue to closely keep up with market developments and control potential market risks. We will ride on the market trend and forge ahead with plans to consistently push forward our existing investment strategy by focusing on our core financial services business and continue the expansion of the medical and healthcare business so as to formulate long term sustainable development of the Group. We will also keep on seeking prosperous 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 2018 (2017: 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 2018 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 2018.

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 2018 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 Xiaohe.

By order of the Board
First Shanghai Investments Limited
LO Yuen Yat
Chairman

Hong Kong, 24th August 2018