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FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2018 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31st December 2018 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	2018 HK$'000	2017 HK$'000
Revenue	4	**473,726**	446,445
Cost of sales		**(169,106)**	(115,777)
Gross profit		**304,620**	330,668
Other gains – net	5	**33,726**	51,166
Selling, general and administrative expenses		**(324,693)**	(320,503)
Net impairment losses on financial assets		**(1,889)**	–
Operating profit	6	**11,764**	61,331
Finance income		**50,327**	25,090
Finance costs		**(21,919)**	(22,401)
Finance income – net		**28,408**	2,689
Share of results of joint ventures		**9,965**	13,619
Profit before taxation		**50,137**	77,639
Taxation	7	**(13,381)**	(13,333)
Profit for the year		**36,756**	64,306
Attributable to:			
Shareholders of the Company		**33,403**	61,944
Non-controlling interests		**3,353**	2,362
		36,756	64,306
Earnings per share for profit attributable to shareholders of the Company during the year			
– Basic	8	**HK2.35 cents**	HK4.37 cents
– Diluted	8	**HK2.35 cents**	HK4.37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**36,756**	64,306
Other comprehensive (loss)/income		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Fair value loss on available-for-sale financial assets	**–**	(70,626)
– Exchange reserve realised upon disposal of a joint venture	**–**	(3,373)
– Exchange reserve realised upon disposal of subsidiaries	**2**	–
– Currency translation differences	**(62,735)**	92,433
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(57,472)**	–
Other comprehensive (loss)/income for the year, net of tax	**(120,205)**	18,434
Total comprehensive (loss)/income for the year	**(83,449)**	82,740
Attributable to:		
Shareholders of the Company	**(83,253)**	75,500
Non-controlling interests	**(196)**	7,240
	(83,449)	82,740

CONSOLIDATED BALANCE SHEET

	Note	2018 *HK$'000*	2017 *HK$'000*
Non-current assets			
Intangible assets		**5,126**	2,126
Property, plant and equipment		**683,182**	608,417
Investment properties		**598,135**	566,029
Leasehold land and land use rights		**43,025**	45,636
Investment in a joint venture		**216,723**	224,037
Deferred tax assets		**31,868**	17,405
Available-for-sale financial assets		**–**	184,630
Financial assets at fair value through other comprehensive income		**127,158**	–
Loans and advances		**–**	3,750
Finance lease receivables		**–**	1,042
Other non-current prepayments and deposits		**18,907**	49,322
Total non-current assets		**1,724,124**	1,702,394
Current assets			
Inventories		**561,691**	634,110
Loans and advances		**745,482**	1,534,062
Trade receivables	*10*	**224,706**	222,365
Other receivables, prepayments and deposits		**59,735**	70,630
Finance lease receivables		**–**	298
Tax recoverable		**11,132**	11,351
Financial assets at fair value through profit or loss		**22**	26,314
Deposits with banks		**59,345**	24,264
Client trust bank balances		**3,137,482**	2,781,688
Cash and bank balances		**339,309**	246,375
Total current assets		**5,138,904**	5,551,457
Current liabilities			
Trade and other payables	*11*	**3,698,461**	3,629,814
Tax payable		**29,638**	29,758
Borrowings		**112,958**	441,523
Total current liabilities		**3,841,057**	4,101,095
Net current assets		**1,297,847**	1,450,362
Total assets less current liabilities		**3,021,971**	3,152,756

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities		**74,893**	67,226
Borrowings		**156,357**	205,764
Other non-current liabilities		**15,563**	18,232
Total non-current liabilities		**246,813**	291,222
Net assets		**2,775,158**	2,861,534
Equity			
Share capital		**1,162,940**	1,162,940
Reserves		**1,537,824**	1,624,004
Capital and reserves attributable to the Company's shareholders		**2,700,764**	2,786,944
Non-controlling interests		**74,394**	74,590
Total equity		**2,775,158**	2,861,534

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.

The financial information relating to the years ended 31st December 2018 and 2017 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years 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) and will deliver the consolidated financial statements for the year ended 31st December 2018 in due course.

- The Company's auditor has reported on these consolidated financial statements for both years. 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).

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 the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except that a leasehold land and building in Hong Kong is stated at revalued amount less subsequent accumulated depreciation and accumulated impairment losses (if any), and as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss, which are carried at fair value.

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.

3. ACCOUNTING POLICIES

(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 adopting the following standards:

HKFRS 9	Financial Instruments
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 year. 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 Group operates primarily in Hong Kong and the PRC. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods and services.

(a) Operating segments

	Financial services 2018 *HK$'000*	Property development 2018 *HK$'000*	Property investment and hotel 2018 *HK$'000*	Medical and healthcare 2018 *HK$'000*	Direct investment 2018 *HK$'000*	2018 *HK$'000*
Income statement						
Revenue	252,227	63,626	128,506	24,539	4,828	473,726
Segment results	91,455	4,493	44,115	(77,571)	(5,623)	56,869
Unallocated net operating expenses						(45,105)
Operating profit						11,764
Finance income – net						28,408
Share of result of a joint venture	–	–	9,965	–	–	9,965
Profit before taxation						50,137
Balance sheet						
Segment assets	4,364,041	684,859	1,261,404	141,161	131,956	6,583,421
Investment in a joint venture	–	–	216,723	–	–	216,723
Tax recoverable						11,132
Deferred tax assets						31,868
Corporate assets						19,884
Total assets						6,863,028
Other information						
Depreciation and amortisation	1,042	394	13,594	14,591	359	29,980

Note: There were no sales among the operating segments.

	Financial services 2017 HK$'000	Property development 2017 HK$'000	Property investment and hotel 2017 HK$'000	Medical and healthcare 2017 HK$'000	Direct investment 2017 HK$'000	2017 HK$'000
Income statement						
Revenue	310,094	7,210	121,891	1,238	6,012	446,445
Segment results	146,534	(13,999)	43,478	(69,702)	(7,457)	98,854
Unallocated net operating expenses						(37,523)
Operating profit						61,331
Finance income – net						2,689
Share of results of joint ventures	–	–	13,844	–	(225)	13,619
Profit before taxation						77,639
Balance sheet						
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						18,741
Total assets						7,253,851
Other information						
Depreciation and amortisation	979	339	12,760	2,055	458	16,591

Note: There were no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2018 ***HK$'000***	**PRC and others 2018** ***HK$'000***	**2018** ***HK$'000***
Revenue	**277,116**	**196,610**	**473,726**
Non-current assets*	**217,638**	**1,347,460**	**1,565,098**

	Hong Kong	PRC and others	
	2017	2017	2017
	HK$'000	*HK$'000*	*HK$'000*
Revenue	312,141	134,304	446,445
Non-current assets*	201,106	1,299,253	1,500,359

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

5. OTHER GAINS – NET

	2018	2017
	HK$'000	*HK$'000*
Gain on disposal of a joint venture	**–**	354
Gain on disposal of subsidiaries	**1,395**	–
(Loss)/gain on disposal of investment properties	**(46)**	1,121
Net loss on disposal of property, plant and equipment	**(1,049)**	–
Fair value gains on investment properties	**35,378**	31,096
Net foreign exchange (loss)/gain	**(1,952)**	18,595
	33,726	51,166

6. OPERATING PROFIT

Operating profit is stated after charging the following:

	2018	2017
	HK$'000	*HK$'000*
Depreciation	**28,957**	15,427
Amortisation of leasehold land and land use rights	**1,623**	1,590
Cost of properties sold	**39,645**	5,749
Stockbroking commission and related expenses	**35,219**	38,889
Staff costs	**213,139**	200,128
Operating lease rental in respect of land and buildings	**52,808**	53,574
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	**2,980**	2,813
– other auditors	**996**	775
Non-audit services – the Company's auditor	**824**	166

7. TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**13,206**	15,889
Over-provision in previous years	**(1,856)**	(961)
Overseas taxation		
Current	**2,623**	1,853
Under/(over)-provision in previous years	**16**	(102)
Land appreciation tax	**3,037**	528
Deferred taxation	**(3,645)**	(3,874)
Taxation charge	**13,381**	13,333

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$33,403,000 (2017: HK$61,944,000). 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 year.

Diluted earnings per share is the same as the basic earnings per share. The potential additional ordinary shares under the Group's share option were lapsed as at 31st December 2017.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend (2017: HK$Nil) for the year ended 31st December 2018.

10. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Due from stockbrokers and clearing houses	**149,463**	97,688
Due from stockbroking clients	**67,982**	118,750
Trade receivables – others	**22,074**	21,543
	239,519	237,981
Loss allowance	**(14,813)**	(15,616)
	224,706	222,365

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 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.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**221,215**	220,179
31–60 days	**2,808**	1,833
61–90 days	**601**	123
Over 90 days	**82**	230
	224,706	222,365

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Due to stockbrokers and dealers	**88,015**	7,705
Due to stockbroking clients and clearing houses	**3,244,300**	3,198,960
Trade payables	**165,985**	203,570
Total trade payables	**3,498,300**	3,410,235
Advance receipts from customers	**–**	34,589
Contract liabilities	**40,857**	–
Accruals and other payables	**159,304**	184,990
	3,698,461	3,629,814

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$3,137,482,000 (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, 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.

The ageing analysis of the trade payables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**136,445**	188,920
31–60 days	**4,147**	2,534
61–90 days	**2,169**	1,577
Over 90 days	**23,224**	10,539
	165,985	203,570

MARKET OVERVIEW

2018 was a challenging year full of economic and political uncertainties. The global economy continued its moderate growth with a weakened momentum. The financial market witnessed high volatility with economic downturn risks and the trade tensions between the US and China. During the year, despite robust economic growth, the US market recorded the first year of declines since the 2008 financial crisis. Major European markets rose on gains in commodities market in early 2018, but subsequently dropped with concerns about the pace of Brexit and worries about economic slowdown. The capital flow to Asian markets was much affected by the slow economic recovery in Japan, geopolitical tensions in North Korea and fluctuation in currency rates.

In China, the macro-economy showed an uptrend first then followed by a decline, resulting to a year-on-year GDP growth rate of 6.6%, meeting the overall expectation. Export and property market boosted economic growth in the first half of the year, and then subsided in the second half of the year, amid the intensified trade tensions when the US imposed tariffs on Mainland exports and retaliated. During 2018, focus on structural reform of the supply-side has shifted from addressing overcapacity to bolstering areas of weakness and thus improving valuation of various commodities products. The Chinese financial market underperformed major overseas markets. Concerns about the economic growth, corporate default and trade tensions, the Shanghai Composite Index dropped by more than 20% in 2018.

Faced with the uncertainty on external factors and the net capital outflow driven by worries on trade tensions and economic slowdown, Hong Kong economy was weakened in 2018. Investment sentiment has become more cautious and property valuation recorded slight adjustment after the 3-year bull run. In September, banks in Hong Kong increased their prime rates in response to the US rate hikes. The performance of financial market amidst high volatility with Hang Seng Index hit a record high in January 2018 with rebound on China's property market and various economic data. The market sentiments subsequently relent with increasing concerns about the impact on trade tensions and pace on interest rate hikes.

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. For the year ended 31st December 2018, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK$33 million and HK2.35 cents respectively, as compared with approximately HK$62 million and HK4.37 cents respectively in 2017.

2018 was a challenging year with significant fluctuation on the financial market due to various external factors. Both the Mainland and Hong Kong financial markets were volatile. Hang Seng Index rose to its historical high in January with trading volume increased significantly, outperformed from most regional and international markets. However, the market witnessed a sharp correction in February and trading activities tumbled with investments sentiment turned sour against securities trading with rising trade tensions between the US and China. The market also worries about economic slowdown following the weakening in Renminbi and the US rate hikes.

During the reporting year, with the reduction of trading activities of our retail margin clients and pullback of their risk appetites, revenue from brokerage business and margin financing business declined. Return from the Financial Services Sector was also adversely affected by the trading loss reported from our securities investment team. In 2018, our corporate finance team completed two IPO transactions on the Main Board, despite the decrease in total number of sizeable advisory transactions. With more IPO transactions approaching completion in 2019, we expect operating income will increase and we aim to increase our internal resources on IPO transactions to maximize income from advisory and underwriting business.

In 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. With the ratcheting up of regulations and controls, overall market sales volume reduced. Without new development projects, our Property and Hotel Sector was continuously impeded by limitation on existing product mixture. In spite of these, the Group has completed the development of the villas of Huangshan project in 2018 and was able to recognize revenue from selling of certain units of the project. In addition, due to general rise in property prices, the Group has recorded revaluation gain from its investment properties which explains the encouraging operating result from the Property and Hotel Sector.

In 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 development stage, we have invested substantive capital for building renovation and installation of advanced medical equipments, especially at our imaging centre, day surgery centre, IVF centre and central pharmacy. In result, operating loss was reported, mainly due to staff costs and depreciation expenses on medical equipments incurred. In the second half of 2018, we continued to expand the scope of services and collaborate with different specialists, insurance companies and corporate clients so as to improve 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. And we hope that the new medical centre will become our new key profit generator in future.

We will continue to look for new direct investment opportunities focusing on medical healthcare business. With strong market demand for quality and high standard medical services, both from Hong Kong and Mainland, we are confident with the continuous growth of the medical healthcare business.

FINANCIAL REVIEW

For the year ended 31st December 2018, the Group recorded a net profit attributable to shareholders of approximately HK$33 million, representing a decrease of 46% as compared to approximately HK$62 million recorded last year. The reduction on net profit was mainly attributable to the recognition of trading loss from our securities investment portfolio due to the downward market trends of Hong Kong stock market since early 2018. The financial services business slowed amid challenging market conditions impacted by the trade war between China and US and the general risk-avoided investment sentiments. With a focus on credit quality and profitability, we continue to implement tight credit policies, which reduced the size of the loan portfolio. Our medical and healthcare business is developing but still adversely affecting the net profit of the Group after absorbing the significant administrative expenses during the initial development stage. However, these negative impacts were partially offset by the recognition of sales of certain properties of Huangshan property development project and the property revaluation gain, benefited from the recovery of the PRC property market. The basic earnings per share attributable to shareholders was HK2.35 cents (2017: HK4.37 cents). Revenue of the Group was approximately HK$474 million, a slight increase of 6% as compared to 2017 with the contribution of our medical centre and the recognition of sales of flats in Huangshan. Total net assets of the Group dropped by 3% from approximately HK$2,862 million in 2017 to approximately HK$2,775 million in 2018.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. Operating profit reported from Financial Services Sector decreased by 38% from 2017 mainly due to the recognition of trading loss from our securities investment portfolio and decrease in brokerage and margin loan interest income.

In 2018, the Hong Kong stock market was extremely volatile despite that market trading activities were active. The monthly market turnover of HK$3,541 billion in January 2018 was the year's peak when the Heng Sang Index rose to a historical high. However, after the US announced its plans to increase the custom duty on certain Chinese products and getting fight back responses from the Chinese Government, negative sentiment was spread over the Hong Kong stock market. Heng Sang Index dropped from the highest 33,484 point to the lowest 24,541 point during 2018 and closed at 25,846 point at year end. Despite average daily market turnover increased by 22% from HK$88 billion in 2017 to HK$107 billion in 2018, trading activities of retail margin clients was sluggish since the second quarter of the year. Our brokerage business reported a decrease in brokerage commission income and margin loan interest income by 11% and 17% respectively. In addition, trading loss was recognised from our securities investment portfolio tracking to downward market trends and the high volatility of the stock market.

Regarding our corporate finance business, we continued to focus on financial advisory cases during the reporting year. In 2018, twenty two financial advisory cases and two IPO transactions were completed. Income from advisory services reduced by 25% as a result of the absence of the sizable general offer transactions as in 2017.

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. They include residential, service apartment, commercial office, industrial office, hotel and recreation resort. During 2018, operating profit from Property and Hotel Sector increased by 65% from 2017. The improvement was mainly attributable to the recognition of sales of certain properties of Huangshan property development project, and the increase in revaluation gain of investment properties held by the Group with recovery on local property market.

During 2018, revenue from sale of properties increased by 7.8 times as compared to 2017, mainly generated from recognition of sales of certain properties of Huangshan property development project upon its completion. In the coming year, we will continue to focus on completion of the existing development projects and the sales of properties in Wuxi and Huangshan.

Our property investment and management business is one of the steady income generators of the Group, and it reported an increase in revenue by 11% during reporting year. Investment properties held by the Group reported an increase in fair value gain by 14% as compared to 2017, marked to the general increase in property prices in China.

Hotel and golf operation reported a slight increase in revenue by 4% in 2018 as compared to 2017. It was mainly attributable to the increase in contribution from golf operation as a result of the promotion campaign and general recovery of economy.

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 service scope to day surgery centre, beauty clinic and specialists clinic in 2018. Its revenue increased from HK$1 million in 2017 to HK$25 million in 2018 in line with the development of services. The medical centre is still at development stage, and will continue to expand its scope of services and improve its operation efficiency. Operating loss reported increased by 11% during the reporting year due to the increase in staff costs and recognition of depreciation expenses on medical equipments. We will focus on looking for business cooperation with doctors, medical professionals, insurance companies and business partners to further expand the business.

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 decreased due to scale down of existing projects.

PROSPECTS

2019 will be a challenging year with geopolitical and economic uncertainty. We expect trade tensions between the US and China and uncertainty of Brexit will affect the real economic growth. The economy momentum in various industries including imports/exports, logistics, insurance, trade finance and manufacturing is expected to be affected. Investment sentiment and assets valuation will be hindered with market volatility. The US Federal Reserve is expected to normalize its monetary policy with gradual balance sheet reduction and rate rises. Corporate loan demand and market liquidity will be affected.

In China, we expect there will be continuous shift of production facilities to other low-cost countries in Southeast Asia in order to combat with the US protectionism measures. While the Central Government will implement fiscal and monetary measures to smoothen the economic structural reform, the operating environment will still be competitive and volatile. On the financial market, we expect the Central Government will continue to deepen its various measures to deleverage financial risk and tax and fee reduction policies so as to sustain a steady economic growth rate.

Our Financial Service Sector will continue to maintain a cautious and proactive approach regarding the credit control of our margin financing business. We shall also continue to enhance our online trading platform, and widen our product scope and customer base to cope with market situation. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group including brokerage, asset management, financial advisory and IPO sponsorships, we will continue to enhance our service and strengthen our business platform for further development.

Regarding the Medical and Healthcare Sector, we are confident on the development of private healthcare services in Hong Kong in view of the tight resource allocated to public healthcare services and the increasing health consciousness of people. We will push forward to meet the growing demand by strengthening our operational team so as to improve our service quality. We will enlarge our customer base including insurance companies and corporate clients with comprehensive healthcare solutions, and expand our scope of healthcare services to facilitate the market demand and resort to innovative technologies, such as mobile booking and tele-medicine, in order to provide high quality and comprehensive services to the community with greater conveniences.

We will also consistently push forward our existing investment strategy, with focus on healthcare sector, to further expand our Direct Investment 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

On 12th October 2018, the Group disposed of the entire equity interest in a subsidiary, Fu Hai Yun Tong Finance Leasing (Shanghai) Company Limited, to a related party with cash consideration of US$1.5 million. The Group recognised a gain on disposal amounted to HK$1.1 million.

DIVIDEND

The Board does not recommend the payment of a final dividend (2017: HK$Nil) for the year ended 31st December 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 31st May 2019. For details of the annual general meeting, please refer to the notice of annual general meeting which will be published on the Company's website and website of Hong Kong Exchanges and Clearing Limited and will be despatched to all shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27th May 2019 to Friday, 31st May 2019, both days inclusive, during which period no transfer of shares will be effected for determining the shareholders who are entitled to attend and vote at the annual general meeting ("AGM"). In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 24th May 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited during the year ended 31st December 2018.

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 Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31st December 2018, 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.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31st December 2018.

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 year ended 31st December 2018.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

This announcement of final results is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Listed Company Information" and the Company at http://www.firstshanghai.com.hk under "Investor Relations – Corporate Announcement – Results Announcements". The 2018 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Listed Company Information" and the Company at http://www.firstshanghai.com.hk under "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, 29th March 2019