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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2016 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31st December 2016 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	390,792	491,923
Cost of sales		(113,369)	(141,995)
Gross profit		277,423	349,928
Other (losses)/gains – net	4	(102,433)	49,139
Selling, general and administrative expenses		(231,087)	(272,937)
Operating (loss)/profit	5	(56,097)	126,130
Finance income		22,144	21,405
Finance costs		(17,222)	(18,890)
Finance income – net		4,922	2,515
Share of results of Associated companies		(1,523)	21,974
Joint ventures		16,854	12,584
(Loss)/profit before taxation		(35,844)	163,203
Taxation	6	(20,116)	(28,546)
(Loss)/profit for the year		(55,960)	134,657
Attributable to:			
Shareholders of the Company		(49,909)	134,862
Non-controlling interests		(6,051)	(205)
		(55,960)	134,657
(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year			
– Basic	7	HK(3.52) cents	HK9.61 cents
– Diluted	7	HK(3.52) cents	HK9.58 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	<u>(55,960)</u>	<u>134,657</u>
Other comprehensive loss		
<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	(36,505)	(221,977)
– Currency translation differences	(71,593)	(73,602)
– Share of post-acquisition reserves of an associated company	(53,463)	61,945
– Reserves realised upon disposal of an associated company	(157,843)	(15)
– Exchange reserve realised upon disposal of subsidiaries	<u>–</u>	<u>(5,764)</u>
Other comprehensive loss for the year, net of tax	<u>(319,404)</u>	<u>(239,413)</u>
Total comprehensive loss for the year	<u>(375,364)</u>	<u>(104,756)</u>
Attributable to:		
Shareholders of the Company	(364,401)	(99,545)
Non-controlling interests	<u>(10,963)</u>	<u>(5,211)</u>
	<u>(375,364)</u>	<u>(104,756)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		383,519	376,811
Investment properties		481,441	470,459
Leasehold land and land use rights		45,733	48,922
Investment in an associated company		–	434,822
Investments in joint ventures		239,323	247,562
Deferred tax assets		6,843	6,968
Available-for-sale financial assets		255,256	291,761
Loans and advances		4,575	6,455
		<u>1,418,816</u>	<u>1,885,886</u>
Total non-current assets			
Current assets			
Inventories		587,830	674,127
Loans and advances		1,314,308	1,131,432
Trade receivables	9	211,100	159,001
Other receivables, prepayments and deposits		47,224	60,373
Tax recoverable		12,039	11,041
Financial assets at fair value through profit or loss		19,564	20,192
Deposits with banks		23,947	2,807
Client trust bank balances		3,050,357	2,791,106
Cash and cash equivalents		275,453	176,589
		<u>5,541,822</u>	<u>5,026,668</u>
Total current assets			
Current liabilities			
Trade and other payables	10	3,537,436	3,272,593
Tax payable		27,606	39,088
Borrowings		346,175	169,682
		<u>3,911,217</u>	<u>3,481,363</u>
Total current liabilities			
Net current assets		<u>1,630,605</u>	<u>1,545,305</u>
Total assets less current liabilities		<u>3,049,421</u>	<u>3,431,191</u>

	<i>Note</i>	2016 HK\$'000	2015 HK\$'000
Non-current liabilities			
Deferred tax liabilities		56,026	54,526
Borrowings		213,525	208,885
		<u> </u>	<u> </u>
Total non-current liabilities		269,551	263,411
		<u> </u>	<u> </u>
Net assets		2,779,870	3,167,780
		<u> </u>	<u> </u>
Equity			
Share capital		1,162,940	1,157,658
Reserves		1,548,504	1,928,637
		<u> </u>	<u> </u>
Capital and reserves attributable to the Company's shareholders		2,711,444	3,086,295
Non-controlling interests		68,426	81,485
		<u> </u>	<u> </u>
Total equity		2,779,870	3,167,780
		<u> </u>	<u> </u>

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.

The financial information relating to the years ended 31st December 2016 and 2015 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 2015 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 2016 in due course.

The Company’s auditor has reported on the consolidated financial statements of the Group for both years. The auditor’s reports were 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 all applicable 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, available-for-sale financial assets 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.

Change in accounting policy and disclosures

The adoption of all new and amended standards that are effective for the first time for the financial year beginning on 1st January 2016 by the Group did not have any material impact on results and financial position of the Group.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- 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 companies 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 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.

(a) Operating segments

	Financial services 2016 HK\$'000	Property development 2016 HK\$'000	Property investment and hotel 2016 HK\$'000	Direct investment 2016 HK\$'000	2016 HK\$'000
Income statement					
Revenue	<u>260,466</u>	<u>12,161</u>	<u>113,220</u>	<u>4,945</u>	<u>390,792</u>
Segment results	<u>124,275</u>	<u>(31,564)</u>	<u>17,345</u>	<u>(125,644)</u>	<u>(15,588)</u>
Unallocated net operating expenses					<u>(40,509)</u>
Operating loss					<u>(56,097)</u>
Finance income – net					4,922
Share of results of					
– Associated company	–	–	–	(1,523)	(1,523)
– Joint ventures	–	–	16,732	122	<u>16,854</u>
Loss before taxation					<u>(35,844)</u>
Balance sheet					
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					<u>88,513</u>
Total assets					<u>6,960,638</u>
Other information					
Depreciation and amortisation	1,045	266	14,475	675	16,461

Note: There were no sales among the operating segments.

	Financial services 2015 HK\$'000	Property development 2015 HK\$'000	Property investment and hotel 2015 HK\$'000	Direct investment 2015 HK\$'000	2015 HK\$'000
Income statement					
Revenue	<u>361,631</u>	<u>3,107</u>	<u>122,089</u>	<u>5,096</u>	<u>491,923</u>
Segment results	<u>174,136</u>	<u>(21,635)</u>	<u>3,883</u>	<u>15,233</u>	171,617
Unallocated net operating expenses					<u>(45,487)</u>
Operating profit					126,130
Finance income – net					2,515
Share of results of					
– Associated companies	–	–	–	21,974	21,974
– Joint ventures	–	–	11,928	656	<u>12,584</u>
Profit before taxation					<u>163,203</u>
Balance sheet					
Segment assets	4,184,172	734,836	916,613	318,318	6,153,939
Investment in an associated company	–	–	–	434,822	434,822
Investments in joint ventures	–	–	206,998	40,564	247,562
Tax recoverable					11,041
Deferred tax assets					6,968
Corporate assets					<u>58,222</u>
Total assets					<u>6,912,554</u>
Other information					
Depreciation and amortisation	929	443	32,232	946	34,550

Note: There were no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2016 HK\$'000	PRC and others 2016 HK\$'000	2016 HK\$'000
Revenue	<u>261,283</u>	<u>129,509</u>	<u>390,792</u>
Non-current assets *	<u>78,115</u>	<u>1,078,602</u>	<u>1,156,717</u>
	Hong Kong 2015 HK\$'000	PRC and others 2015 HK\$'000	2015 HK\$'000
Revenue	<u>362,420</u>	<u>129,503</u>	<u>491,923</u>
Non-current assets *	<u>513,350</u>	<u>1,073,807</u>	<u>1,587,157</u>

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

4. OTHER (LOSSES)/GAINS – NET

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	–	5,764
Loss on disposal of an associated company	(117,900)	–
Reversal of provision for constructive obligations of an associated company	–	8,484
Gain on disposal of investment properties	742	79
Fair value gains on investment properties	15,689	17,909
Gain on disposal of financial assets at fair value through profit or loss	–	16,072
Net foreign exchange (loss)/gain	(964)	831
	<u>(102,433)</u>	<u>49,139</u>

5. OPERATING (LOSS)/PROFIT

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Crediting		
Write back of provision for doubtful debts	18	261
Net gain on disposal of property, plant and equipment	7	–
	<u>25</u>	<u>261</u>
Charging		
Depreciation	15,271	33,305
Amortisation of leasehold land and land use rights	1,607	1,697
Cost of properties sold	10,402	3,121
Stockbroking commission and related expenses	22,599	61,643
Staff costs	175,102	198,594
Operating lease rental in respect of land and buildings	9,322	9,824
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,660	2,536
– other auditors	795	846
Non-audit services – the Company's auditor	419	248
Provision for impairment of properties held for sale	18,161	–
Net loss on disposal of property, plant and equipment	–	35
	<u>230,136</u>	<u>310,076</u>

6. TAXATION

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

	2016	2015
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	16,343	24,175
Over-provision in previous years	(3,474)	(918)
Overseas taxation		
Current	1,702	2,119
Under/(over)-provision in previous years	34	(68)
Land appreciation tax	750	207
Deferred taxation	4,761	3,031
	<hr/>	<hr/>
Taxation charge	20,116	28,546
	<hr/> <hr/>	<hr/> <hr/>

7. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the Group's loss attributable to shareholders of HK\$49,909,000 (2015: Group's profit attributable to shareholders of HK\$134,862,000). The basic (losses)/earnings per share is based on the weighted average number of 1,417,250,484 (2015: 1,403,892,601) shares in issue during the year.

The Company has share options outstanding which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

For the year ended 31st December 2015, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 3,166,858 dilutive potential ordinary shares. Diluted losses per share for the year ended 31st December 2016 are the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend (2015: HK\$0.01 per ordinary share, totaling HK\$14,190,000) for the year ended 31st December 2016.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Proposed final dividend of HK\$Nil (2015: HK\$0.01) per ordinary share	<u>–</u>	<u>14,190</u>

9. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	166,603	50,498
Due from stockbroking clients	30,806	100,067
Trade receivables	<u>28,251</u>	<u>23,936</u>
	225,660	174,501
Provision for impairment	<u>(14,560)</u>	<u>(15,500)</u>
	<u>211,100</u>	<u>159,001</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.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	209,481	157,866
31 – 60 days	1,140	555
61 – 90 days	441	51
Over 90 days	<u>38</u>	<u>529</u>
	<u>211,100</u>	<u>159,001</u>

10. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Due to stockbrokers and dealers	12,003	86,709
Due to stockbroking clients	3,239,624	2,875,589
Trade payables	140,774	156,262
	<hr/>	<hr/>
Total trade payables	3,392,401	3,118,560
Advance receipts from customers	16,104	9,029
Accruals and other payables	128,931	145,004
	<hr/>	<hr/>
	3,537,436	3,272,593
	<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\$3,050,357,000 (2015: HK\$2,791,106,000).

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.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	124,771	144,893
31 – 60 days	3,385	1,912
61 – 90 days	1,924	2,014
Over 90 days	10,694	7,443
	<hr/>	<hr/>
	140,774	156,262
	<hr/> <hr/>	<hr/> <hr/>

MARKET OVERVIEW

2016 was rife with black swan events and the financial market witnessed a turbulent year. In the first half year, the market was volatile amid intensifying worries about various political incidents over the world, the succession of bubbles across different asset classes in the Chinese market and the Renminbi volatility. Investors were risk avoidance with capital flight to safe-haven assets. Lingered by the pessimism market conditions and the uncertainties about global economic outlook since 2015, the new circuit breaker mechanism of A Shares rendered a further market slump at the beginning of 2016. The Hang Seng Index took a dive to the year's record low of 18,279 in February. Later, the market rose marked with strong confidence in the economic outlook by the Central Government, until the Brexit vote in June, again, shocked the world financial market. Stock market volatility and foreign currency risk enlarged sharply amid uncertainties on economic impacts after the Brexit.

Since July, the global market rebounded as worries about the Brexit eased underpinned by expectation of a delay in the Fed interest rate hike and hopes for further stimulus measures by global central banks to support the economy. Investment sentiment was improved with solid corporate earnings and the affirmative supply-side reforms in China. Following supportive measures launched by the Central Government, the Chinese property market featured significant recovery. While the Hong Kong financial market was optimism about the launch of Shenzhen-Hong Kong Stock Connect and news about Mainland insurers being allowed to invest in the Hong Kong stock market. Stimulated by a shift of funds from Mainland to Hong Kong, the Hang Seng Index reached its year's peak at 24,364 in September.

In late 2016, the financial market declined on concerns about the outcome of the US presidential election. However, the market bounced back amid promises of supportive fiscal policy with tax reduction and infrastructure spending expansion by the new US President. In December, the Hong Kong financial market adjusted from its year's peak when the Central Government implemented controls on capital flow from Mainland. In addition, investors were cautious about the continuous price hike in the property market and the Hang Seng Index ended at 22,000, representing an annual increment of 0.4%.

BUSINESS OVERVIEW

2016 was a challenging year for the Group. The Hong Kong stock market was volatile and investors were cautious in securities investment. Market sentiment was pessimistic and investors tended to hold safe-haven assets, such as bonds. The performance from our Financial Service Sector was highly affected with reduction on business activities of the Hong Kong stock market. The average daily market turnover reported significant drops by 37% from HK\$106 billion in 2015 to HK\$67 billion in 2016. There were 117 IPOs launched in 2016 with total funds raised amounted to HK\$194.8 billion, representing a reduction of 25% from that of 2015. The brokerage business of the Group, focusing on stock, futures and commodities market in Hong Kong, reported significant decline in commission income by 54% for the year. However, with continuous expansion on customer base over the past few years, margin loan demand from clients remained steady, with both average margin loan size and interest income reported gradual healthy growth in 2016.

Despite the market volatility, the Group was able to react align the market pace and will continue to closely monitor the market situation and implement cautious and proactive strategy so as to pursue sustainable and stable growth of the Group. During the year, we have upgraded the online trading system of our future and commodities business and consolidated various channels of stock trading platform, tracking to the contemporary customer trading pattern. Devoted to provide full range of financial services to our customers, we have widened our products range and service scope of the Shenzhen-Hong Kong Stock Connect system.

Despite the slowdown in market activities, our corporate finance business has achieved notable performance in 2016. We acted as the sponsor and bookrunner for the initial public offering of China Golden Classic Group Limited on the GEM Board of The Stock Exchange of Hong Kong Limited. We also acted as financial adviser to a PRC state-owned conglomerate in relation to a general offer, and acted as independent financial adviser for a variety of cases, including an acquisition from state-owned parent company of nuclear power generation business in the PRC at a consideration of approximately RMB9.9 billion and certain general offers.

During 2016, on the back of policy easing and availability of market liquidity, the property market in China witnessed significant rebound. Our Property and Hotel Sector was benefited with fair valuation gain and increase in sales for our property investment projects which are mainly located in the first and second-tier cities. On the other hand, in the third and fourth-tier cities, where most of the Group's under-development projects located, both momentum on sales volume and prices were still challenging. During the year, sales of property reported slight pick up, despite the fact that performance of our property development business was still hindered by the high inventory level. We will continue our business strategy in focusing the completion of various outstanding property development projects. We expected the launch of Phase III of Wuxi project in the first half of 2017 and Phases A and B of Huangshan project in the second half of 2017 will improve the results of our Property and Hotel Sector.

In 2016, the Group disposed its major direct investment vehicle, China Assets (Holdings) Limited ("China Assets"), at a cash consideration of approximately HK\$104 million. A non-cash accounting loss of approximately HK\$118 million was recorded accordingly. The Group has utilized the sales proceed to finance the property development projects and as general working capital. We will continue to look for new direct investment opportunities focusing on healthcare business. With concrete and strong market demand for quality and high standard medical services, both from Hong Kong and Mainland, we are confident with the industry growth of the healthcare business and are now investigating direct participation in a brand-new healthcare centre in Hong Kong.

FINANCIAL REVIEW

For the year ended 31st December 2016, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$50 million and HK3.52 cents respectively, as compared with a net profit and basic earnings per share attributable to the shareholders of approximately HK\$135 million and HK9.61 cents respectively in 2015. The record in net loss was mainly attributable to the recognition of a non-cash accounting loss on disposal of a listed associated company, China Assets (Holdings) Limited (“China Assets”, stock code: 170), amounted to approximately HK\$118 million. In addition, the overall result was affected by decrease in commission income from stock brokerage business marked to the sliding market turnover, impairment provision recorded for certain properties held for sale and lack of an one-off realised gain on equity investment by the Direct Investment Sector as in 2015. This impact was partially offset by the decrease in depreciation charge of hotel facilities in Wuxi. Revenue of the Group was approximately HK\$391 million, dropped by 21% as compared to 2015 due to the decrease in revenue from stock brokerage business. Total net assets of the Group diminished by 12% from approximately HK\$3,168 million in 2015 to approximately HK\$2,780 million in 2016, taking account to the disposal of China Assets.

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. Operating profit reported from Financial Services Sector declined by 29% from 2015. This was mainly due to significant downturn of trading activities in Hong Kong stock market during 2016.

During the reporting year, trading activities of Hong Kong stock market dropped significantly amid the volatile global and Mainland markets. The average daily market turnover reduced by 37% from HK\$106 billion in 2015 to HK\$67 billion in 2016. This highly hindered our brokerage business, which recorded a reduction in brokerage commission income by 54%. With the unsatisfactory market sentiment, market activities including initial public offering, placing and underwriting has witnessed a slowdown, especially in the first half of 2016, curtailed overall income from relevant businesses.

Benefited from widened customer base and research team over the past few years, margin loan demand from our clients remained steady. Average margin loan portfolio increased 12% from approximately HK\$1,223 million in 2015 to approximately HK\$1,373 million in 2016. This resulted in, together with the increase in average loan interest rate, an increase on interest income by 14% as compared to 2015.

Regarding our corporate finance business, we continued to focus on IPO and financial advisory cases during the reporting year. In 2016, we acted as the sponsor for the initial public offering of China Golden Classic Group Limited on the GEM Board of The Stock Exchange of Hong Kong Limited while 5 IPO cases were still under processing. Sponsorship fee income in 2016 reported significant increment of more than two times. In addition, income from compliance advisory services was doubled in 2016 with expansion of client base. These impacts were partially offset with decrease in number of sizable financial advisory cases. During the reporting year, 24 financial advisory cases were completed with corresponding income dropped by 23%.

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 the Mainland, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. During 2016, operating loss from Property and Hotel Sector was reduced by 20% as compared to 2015. The improved result was mainly attributable to the pick-up in sale of properties and the reduction in depreciation charge on hotel facilities in Wuxi. The impact was partially offset by the impairment provision for certain properties held for sale.

In 2016, tracking implementation of accommodative monetary measures by the Central Government, the property market was rebounded when compared with last year, especially for the first and second tiers cities, leading to notably recovery in market turnover and selling prices. However, the property market was still suffered from oversupply and high inventories at the third and fourth tier cities, where most of the Group's development projects located. During 2016, we have completed development of Phase III of Wuxi project and target to complete Phases A and B of Huangshan project in first half of 2017. Revenue from sale of properties picked up as compared to 2015 when limited sales amount was recorded. Nevertheless, reducing inventory level is still the key target of the Group for 2017.

Our property investment and management business, one of the steady income generators of the Group, reported stable revenue for both years. For investment properties held by the Group, located mainly at the first and second-tier cities, reported gain in fair value valuation in 2016, despite the absolute amount was reduced when compared with 2015.

Hotel and golf operation reported a decrease in revenue by 8% in 2016 as compared to 2015. It was attributable to decrease average room rate and reduction in food and beverage income 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. The existing investment strategy will continue to focus on healthcare business. In 2016, operating loss amounted approximately HK\$126 million was recorded from Direct Investment Sector after the recognition of non-cash accounting loss on disposal of China Asset of approximately HK\$118 million. Revenue from other businesses remained steady during the year.

PROSPECTS

In 2017, we expect uncertainties in the political environment around the world will continue. Market will focus on the implementation of supportive fiscal policy by the new US President after the US election. The uncertainties due to the government election of various European countries and the pace of the Fed interest rate hike will also play an important role to the trend of global economic growth and the sentiments of market investment.

Looking ahead in China, we expect the Central Government will continue to deepen its supply-side reforms and further implement various supportive measures as economic stimulus so as to sustain a steady economic growth rate. With the introduction of the Bond Connect, we expect the Hong Kong financial market will make better development in 2017 with increase in market activities. We are conservatively optimistic that market outlook will be improved on gradual and stable pace.

Along with on-going economic and industrial reforms, challenges are unprecedented while substantial development opportunities exist. 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. 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 expansion.

We will 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 22nd January 2016, the Group entered into an agreement with New Synergies Investments Company Limited, a company wholly-owned by Mr. Lo Yuen Yat, a director of the Company, and his family members, to sell the Group's entire interest in China Assets (Holdings) Limited for a cash consideration of approximately HK\$104 million. The transaction was approved by independent shareholders of the Company at the extraordinary general meeting held on 7th April 2016. The Group recorded an accounting loss on disposal of approximately HK\$118 million.

DIVIDEND

The Board does not recommend the payment of a final dividend (2015: HK\$0.01 per ordinary share, totaling HK\$14,190,000) for the year ended 31st December 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 26th May 2017. 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, 22nd May 2017 to Friday, 26th May 2017, 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, 19th May 2017.

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 2016.

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 2016, 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 2016.

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 2016.

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 “Corporate Information – Results Announcements”. The 2016 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Listed Company Information” and the Company at <http://www.firstshanghai.com.hk> under “Financial Information – 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, *B.B.S., J.P.* and four independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe.

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

Hong Kong, 24th March 2017