

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2013 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries, associated companies and joint ventures (the “Group”) for the year ended 31st December 2013 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	3	459,579	349,085
Cost of sales		<u>(182,906)</u>	<u>(148,405)</u>
Gross profit		276,673	200,680
Other gains/(losses) — net	4	548	(24,461)
Selling, general and administrative expenses		<u>(243,485)</u>	<u>(233,535)</u>
Operating profit/(loss)	5	<u>33,736</u>	<u>(57,316)</u>
Finance income		15,715	19,770
Finance costs		<u>(16,953)</u>	<u>(23,364)</u>
Finance costs — net		<u>(1,238)</u>	<u>(3,594)</u>
Share of profits less losses of			
Associated companies		4,596	(52,708)
Joint ventures		<u>9,358</u>	<u>5,122</u>
Profit/(loss) before taxation		46,452	(108,496)
Taxation	6	<u>(4,594)</u>	<u>3,161</u>
Profit/(loss) after taxation		41,858	(105,335)
Profit attributable to minority investors of an investment fund		<u>—</u>	<u>(657)</u>
Profit/(loss) for the year		<u>41,858</u>	<u>(105,992)</u>
Attributable to:			
Shareholders of the Company		42,540	(98,266)
Non-controlling interests		<u>(682)</u>	<u>(7,726)</u>
		<u>41,858</u>	<u>(105,992)</u>
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the year			
— Basic	7	<u>HK3.04 cents</u>	<u>HK(7.02) cents</u>
— Diluted	7	<u>HK3.03 cents</u>	<u>HK(7.02) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit/(loss) for the year	<u>41,858</u>	<u>(105,992)</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
— Actuarial losses on retirement benefit obligations	<u>(27)</u>	<u>(674)</u>
<i>Items that may be reclassified to profit or loss</i>		
— Fair value gain on available-for-sale financial assets	16,014	30,125
— Capital reserve realised upon disposal of subsidiaries	(290)	—
— Currency translation differences	37,053	271
— Share of post-acquisition reserves of an associated company	<u>31,987</u>	<u>(17,449)</u>
	<u>84,764</u>	<u>12,947</u>
Other comprehensive income for the year, net of tax	<u>84,737</u>	<u>12,273</u>
Total comprehensive income/(loss) for the year	<u>126,595</u>	<u>(93,719)</u>
Attributable to:		
Shareholders of the Company	124,831	(86,231)
Non-controlling interests	<u>1,764</u>	<u>(7,488)</u>
	<u>126,595</u>	<u>(93,719)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Intangible assets		13,757	2,126
Property, plant and equipment		535,253	391,730
Investment properties		436,768	419,495
Leasehold land and land use rights		54,114	54,934
Investments in associated companies		279,921	241,473
Investments in joint ventures		244,972	236,795
Deferred tax assets		15,184	15,682
Available-for-sale financial assets		142,932	126,890
Loans and advances		10,856	10,931
Total non-current assets		<u>1,733,757</u>	<u>1,500,056</u>
Current assets			
Properties under development		246,824	222,830
Properties held for sale		303,034	347,975
Inventories		8,405	7,495
Loans and advances		538,806	494,804
Trade receivables	9	242,042	147,514
Other receivables, prepayments and deposits		67,753	42,055
Tax recoverable		948	896
Financial assets at fair value through profit or loss		82,750	235,691
Deposits with banks		3,032	2,847
Client trust bank balances		1,400,313	1,300,485
Cash and cash equivalents		318,617	326,668
Total current assets		<u>3,212,524</u>	<u>3,129,260</u>
Current liabilities			
Trade and other payables	10	1,693,375	1,545,356
Tax payable		37,725	36,851
Borrowings		82,976	14,799
Total current liabilities		<u>1,814,076</u>	<u>1,597,006</u>
Net current assets		<u>1,398,448</u>	<u>1,532,254</u>
Total assets less current liabilities		<u>3,132,205</u>	<u>3,032,310</u>
Non-current liabilities			
Deferred tax liabilities		69,008	65,432
Retirement benefit obligations		8,221	7,751
Borrowings		307,441	338,187
Total non-current liabilities		<u>384,670</u>	<u>411,370</u>
Net assets		<u>2,747,535</u>	<u>2,620,940</u>
Equity			
Share capital		279,783	279,783
Reserves		2,374,968	2,249,764
Capital and reserves attributable to the Company's shareholders		<u>2,654,751</u>	<u>2,529,547</u>
Non-controlling interests		92,784	91,393
Total equity		<u>2,747,535</u>	<u>2,620,940</u>

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries, associated companies and joint ventures (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. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets 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.

Changes in accounting policy and disclosures

(a) Standards and amendments to existing Standards effective in 2013 adopted by the Group

The following Standards and amendments to existing Standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2013 and have a material impact on the Group:

HKAS 1 (Amendment), “Presentation of Financial Statements”. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 7 (Amendment), “Financial Instruments: Disclosures” on asset and liability offsetting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the consolidated balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 12, “Disclosure of Interests in Other Entities” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements and associates.

HKFRS 13, “Fair Value Measurements”. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other Standards within HKFRSs.

(b) *Standard, amendments and interpretation to existing Standards that are not yet effective and have not been adopted by the Group*

The following Standard, amendments and interpretation to existing Standards have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

		Effective for accounting periods beginning on or after
— HKAS 19 (Amendment)	Defined Benefit Plans;	1st July 2014
— HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities;	1st January 2014
— HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non- Financial Assets;	1st January 2014
— HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting;	1st January 2014
— HKFRS 7 and 9 (Amendment)	Mandatory Effective Date and Transition Disclosures;	1st January 2015
— HKFRS 9	Financial Instruments;	1st January 2015
— HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	Investment Entities;	1st January 2014
— HKFRS 14	Regulatory Deferral Accounts;	1st January 2016
— HK(IFRIC) — Int 21	Levies; and	1st January 2014
— Annual Improvement Projects	Improvements to HKASs and HKFRSs 2012 and 2013	1st July 2014

The Group has already commenced an assessment of the related impact of adopting the above Standard, amendments and interpretation to existing Standards to the Group. The Group is not yet in a position to state whether these amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

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:

- Securities investment
- Corporate finance and stockbroking
- 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, properties under development, properties held for sale, 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**

	Securities investment 2013 <i>HK\$'000</i>	Corporate finance and stockbroking 2013 <i>HK\$'000</i>	Property development 2013 <i>HK\$'000</i>	Property investment and hotel 2013 <i>HK\$'000</i>	Direct investment 2013 <i>HK\$'000</i>	Group 2013 <i>HK\$'000</i>
Income statement						
Revenue	<u>30,358</u>	<u>203,730</u>	<u>25,764</u>	<u>108,148</u>	<u>91,579</u>	<u>459,579</u>
Segment results	<u>27,019</u>	<u>78,479</u>	<u>(12,818)</u>	<u>(43,639)</u>	<u>14,847</u>	<u>63,888</u>
Unallocated net operating expenses						<u>(30,152)</u>
Operating profit						33,736
Finance costs — net						(1,238)
Share of profits less losses of						
— Associated companies	—	—	—	—	4,596	4,596
— Joint ventures	—	—	—	8,372	986	9,358
Profit before taxation						<u>46,452</u>
Balance sheet						
Segment assets	98,286	2,324,211	665,380	986,453	312,183	4,386,513
Investments in associated companies	—	—	—	—	279,921	279,921
Investments in joint ventures	—	—	—	203,204	41,768	244,972
Tax recoverable						948
Deferred tax assets						15,184
Corporate assets						<u>18,743</u>
Total assets						<u>4,946,281</u>
Other information						
Depreciation and amortisation	10	1,385	1,165	38,634	1,990	43,184

Note: There were no sales among the operating segments.

	Securities investment 2012 HK\$'000	Corporate finance and stockbroking 2012 HK\$'000	Property development 2012 HK\$'000	Property investment and hotel 2012 HK\$'000	Direct investment 2012 HK\$'000	Group 2012 HK\$'000
Income statement						
Revenue	<u>22,666</u>	<u>143,798</u>	<u>17,133</u>	<u>104,136</u>	<u>61,352</u>	<u>349,085</u>
Segment results	<u>15,289</u>	<u>44,191</u>	<u>(24,287)</u>	<u>(39,285)</u>	<u>(22,467)</u>	<u>(26,559)</u>
Unallocated net operating expenses						<u>(30,757)</u>
Operating loss						(57,316)
Finance costs — net						(3,594)
Share of profits less losses of						
— Associated companies	—	—	—	—	(52,708)	(52,708)
— Joint ventures	—	—	—	3,542	1,580	5,122
Loss before taxation						<u>(108,496)</u>
Balance sheet						
Segment assets	247,891	2,071,027	656,723	811,365	301,284	4,088,290
Investments in associated companies	—	—	—	—	241,473	241,473
Investments in joint ventures	—	—	—	197,396	39,399	236,795
Tax recoverable						896
Deferred tax assets						15,682
Corporate assets						<u>46,180</u>
Total assets						<u>4,629,316</u>
Other information						
Depreciation and amortisation	9	1,853	1,220	35,764	6,348	45,194

Note: There were no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2013 HK\$'000	PRC and others 2013 HK\$'000	Group 2013 HK\$'000
Revenue	<u>233,895</u>	<u>225,684</u>	<u>459,579</u>
Non-current assets *	<u>360,432</u>	<u>1,215,209</u>	<u>1,575,641</u>
	Hong Kong 2012 HK\$'000	PRC and others 2012 HK\$'000	Group 2012 HK\$'000
Revenue	<u>149,170</u>	<u>199,915</u>	<u>349,085</u>
Non-current assets *	<u>322,332</u>	<u>1,035,152</u>	<u>1,357,484</u>

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

4. OTHER GAINS/(LOSSES) — NET

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Gain on disposal of interests in subsidiaries	290	—
Loss on disposal of investment properties	(505)	(40,443)
Fair value (losses)/gains on investment properties	(18,056)	15,613
Gain on disposal of an available-for-sale financial asset	—	70
Gain on disposal of financial assets at fair value through profit or loss	12,048	—
Net foreign exchange gain	6,771	299
	<u>548</u>	<u>(24,461)</u>

5. OPERATING PROFIT/(LOSS)

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Crediting		
Reversal of provision of obsolete stock	—	549
Reversal of provision for doubtful debts	—	302
Net gain on disposal of property, plant and equipment	980	942
Charging		
Depreciation	41,744	43,838
Amortisation of leasehold land and land use rights	1,781	1,753
Cost of properties sold	26,121	14,557
Cost of inventories	68,959	63,346
Stockbroking commission and related expenses	26,455	14,959
Staff costs	191,607	168,900
Operating lease rental in respect of land and buildings	9,153	7,450
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	2,812	2,482
— other auditors	1,171	1,176
Non-audit services — the Company's auditor	268	295
Provision of obsolete stock	324	—
Provision for doubtful debts	196	—

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong profits tax		
Current	10,714	7,371
Under/(over)-provision in previous years	88	(1,455)
Overseas taxation		
Current	2,754	7,873
Under-provision in previous years	233	632
Deferred taxation	(9,195)	(17,582)
Taxation charge/(credit)	<u>4,594</u>	<u>(3,161)</u>

7. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of HK\$42,540,000 (2012: Group's loss attributable to shareholders of HK\$98,266,000). The basic earnings/(losses) per share is based on the weighted average number of 1,398,913,012 (2012: 1,398,913,012) shares in issue during the year.

The Company has share options outstanding for 2013 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. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 3,002,626 dilutive potential ordinary shares.

Diluted losses per share for 2012 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 for the years ended 31st December 2013 and 2012.

9. TRADE RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	73,169	15,991
Due from stockbroking clients	150,045	114,476
Trade receivables	35,413	29,551
Bills receivable	229	3,616
	<hr/>	<hr/>
	258,856	163,634
Provision for impairment	(16,814)	(16,120)
	<hr/>	<hr/>
	242,042	147,514
	<hr/> <hr/>	<hr/> <hr/>

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables is approximately the same as the carrying value.

The settlement terms of trade 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0–30 days	234,254	138,646
31–60 days	4,182	7,003
61–90 days	2,865	1,547
Over 90 days	741	318
	<hr/>	<hr/>
	242,042	147,514
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Due to stockbrokers and dealers	9,282	53,662
Due to stockbroking clients	1,530,571	1,361,263
Trade payables	<u>28,889</u>	<u>41,768</u>
Total trade payables	1,568,742	1,456,693
Advance receipts from customers	14,984	2,855
Accruals and other payables	<u>109,649</u>	<u>85,808</u>
	<u><u>1,693,375</u></u>	<u><u>1,545,356</u></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 Group's 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\$1,400,313,000 (2012: HK\$1,300,485,000).

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0–30 days	10,342	7,734
31–60 days	4,644	4,396
61–90 days	4,475	4,563
Over 90 days	<u>9,428</u>	<u>25,075</u>
	<u><u>28,889</u></u>	<u><u>41,768</u></u>

BUSINESS OVERVIEW

Economic environment of 2013 remained challenging and difficult. The world's economy generally showed an upward trend, while volatility was also high. The US and European markets were buoyed by continuous quantitative easing policies implemented by the governments. US stock markets reported with record highs while European markets rose on better corporate results. Investment sentiment was boosted as various central banks had reaffirmed commitments about maintaining accommodative monetary policies. However, markets were faced with uncertainties and experienced a setback following worry on US's tapering of quantitative easing policy in the second quarter. Investors had renewed concerns about the economic growth and credit conditions of Mainland China. It is only after the release of reform policies by the Central Government in November that market expectation showed a slight upturn.

The Group reported consolidated net profit attributable to shareholders of the Company of approximately HK\$43 million for the year ended 31st December 2013, compared to a net loss of approximately HK\$98 million last year. This satisfactory result mainly reflected the recovery of our Direct Investment Sector, which especially had been hard hit by the unsatisfactory performance of a listed associate, China Assets (Holdings) Limited ("China Assets") and recorded significant loss in 2012. Blooming on trading activities of Hong Kong stock market and implementation of conducive marketing and investment strategies during the year, our Financial Services Sector reported encouraging results in 2013. However, due to the continuous implementation of strict policy towards the Chinese property market, the Group's result was still trimmed by our Property and Hotel Sector. The Group's revenue was increased by 32% from approximately HK\$349 million in 2012 to approximately HK\$460 million in 2013, attributable to improved performance of securities brokerage and investment. Total net assets of the Group raised slightly by 5% from approximately HK\$2,621 million to approximately HK\$2,748 million in 2013.

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

The Hang Seng Index closed at 23,306 on 31st December 2013, representing a slight increment of 3%. Hong Kong stock market underperformed when compared with other overseas markets. Tracking the decline in China stock market, H-shares dropped with Hang Seng China Enterprises Index reduced by 5%. However, while stock market witnessed significant fluctuation during the reporting year, investment sentiment was still conducive. Average daily market turnover grew by 16% in 2013 with increase in trading activities. Total equity fund raising amount rose by 23%, while IPO market remained relatively active during the year.

For 2013, the Group has recorded satisfactory contributions from both brokerage and margin financing businesses. Operating results of Financial Services Sector boosted by 77% with increase in securities trading turnover and underwriting transactions. Gain from margin loan interest income also rose with increase in margin loan portfolio. Performance of securities investment also reported encouraging results after implementation of facilitative investment strategy.

With increasingly intense competition, we expect gradual squeezing on brokerage commission rate which will pose continuous challenges to our business. To safeguard a healthy development, we will continue to enhance our online trading platform and enlarge target client base. We will also maintain a cautious approach to the credit control of our margin financing business. Capitalising on its advantages, the Group will reinforce expansion on wealth management business by enhancing service quality and widening investment product range to clients.

The achievement of our corporate finance division was remarkable in 2013. We acted as the sole sponsor and the sole bookrunner for the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited of Jin Cai Holdings Company Limited, the second largest cigarette package supplier in Jiangxi Province. We also acted as a joint sponsor and a joint bookrunner for the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited of China Success Finance Group Holdings Limited, a leading guarantee service provider offering financial and non-financial guarantee services and financial consultancy services in Foshan City, Guangdong Province. Amidst the mediocre performance of the Hong Kong stock market, the initial public offerings of Jin Cai Holdings Company Limited and China Success Finance Group Holdings Limited were triumphant with their public offer shares significantly over-subscribed by more than 60 times and 20 times, respectively. In addition, we have also completed 20 corporate financial advisory cases and acted as compliance advisors to 10 Hong Kong listed companies. Our corporate finance division, as an inseparable arm of our Financial Services Sector, shall continue to capitalise its expertise, network and other resources to strive for further success.

Property and Hotel

Market sentiment improved due to strong rigid demand on residential properties. However, as the Central Government was committed to reform the Chinese property market so as to escort a healthier long term development and controllable credit condition, stringent regulatory policies were still imposed. We can observe relaxation on certain measures but not extensive. While the product category of the Group's property development projects is not focusing on residential area, performance remains unsatisfactory. Operating results for 2013, though slightly improved, still reported segmental loss. To map out way of improvement, the Group is currently adjusting its product mix with wider market location and we expect growth will result thereafter.

In 2013, the Group's recognised GFA (gross floor area) and revenue were amounted to approximately 4,000 square meters and HK\$26 million respectively. Capital expenditure for property projects incurred for the year was approximately HK\$176 million.

During the reporting year, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France. The Group is planning to develop a 4-star hotel within the site. The Management is confident that this acquisition will lay a solid foundation for the Group's future growth in recreation resort sector.

Direct Investment

China Assets, the major investment of our Direct Investment Sector, reported a net profit after tax of approximately HK\$6 million in 2013. The result was significantly improved compared with a net loss reported in 2012, due to the gain on disposal of an unlisted investment which has been impaired in previous years.

The Group continuous to extend its exposure in the pharmaceutical and healthcare business via China Assets and its Italian subsidiary, Sirton Pharmaceuticals SpA, both reported improving results in 2013.

PROSPECTS

Looking ahead of 2014, the economic outlook of Hong Kong and Mainland China remains challenging. The economy of Mainland China has affirmably ended its rapid growing trend in the past decades and returned to rational growth rate. The credit condition of local governments and quality of Chinese bank assets continue to linger the market. The uncertainty in the timing of tapering of US's quantitative easing monetary policies will persistently suppress fund flows and investment sentiment. However, with various structural reform announced by the Central Government and the acceleration on Renminbi internationalisation, we are confident with the growth of the financial industry.

Given strong 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 and asset management, financial advisory and IPO sponsorships, we have a solid platform to further expand our business in the market. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to capture business opportunities, broaden its client base and strengthen its market niche.

Despite the difficult property market especially in those second and third tier cities faced by the Group in recent years, we will continue to complete the property projects on hand and widen our product mix and location which will bring reasonable returns to the Group in the long term. We will, as always, actively response to market changes and make timely adjustments to our development plan.

Regarding the Direct Investment Sector, we will consistently push forward our existing investment strategy, with focus on pharmaceutical and healthcare business. We may 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2013, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK\$43 million and HK3.04 cents respectively, compared with a net loss and basic losses per share attributable to the shareholders of approximately HK\$98 million and HK7.02 cents respectively in 2012. Revenue of the Group is approximately HK\$460 million, represents an increase of 32% from 2012.

Material acquisition and disposal of group companies

On 27th June 2013, the Group acquired 100% equity interest of Gold S.A.S., which owns a country club and resort and operates a 18-hole golf course in France, at a cash consideration of EUR15 million.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our various property projects and our financial services business. As at 31st December 2013, the Group had raised bank and other loans of approximately HK\$390 million (2012: HK\$353 million) and held approximately HK\$322 million (2012: HK\$330 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 14.2% (2012: 13.5%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2013 amounted to approximately HK\$83 million (2012: HK\$236 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will maintain in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

Pledge of group assets

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK\$676 million (2012: HK\$665 million) and fixed deposits of approximately HK\$15 million (2012: HK\$15 million) against its bank loans and general banking facilities. The banking facilities amounted approximately HK\$390 million (2012: HK\$349 million) had been utilised.

Contingent liabilities

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the People's Republic of China ("PRC"). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2013, total contingent liabilities relating to these guarantees amounted to approximately HK\$1 million (2012: HK\$2 million).

Employees

As at 31st December 2013, the Group employed 754 staff, of whom 544 are based in the PRC. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include discretionary bonus, medical schemes, defined benefit/contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2013 amounted to approximately HK\$192 million (2012: HK\$169 million).

DIVIDEND

The Board does not recommend the payment of a final dividend (2012: HK\$Nil) for the year ended 31st December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19th May 2014 to Friday, 23rd May 2014, 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, 16th May 2014.

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 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out 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 2013, 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 annual consolidated financial statements for the year ended 31st December 2013.

DIRECTORS’ SECURITIES TRANSACTIONS

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 2013.

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 2013 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, 21st March 2014