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FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2019

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June 2019 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30th June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**252,160**	262,880
Cost of sales		**(101,807)**	(87,982)
Gross profit		**150,353**	174,898
Other gains/(losses) – net	*5*	**38,558**	(6,827)
Selling, general and administrative expenses		**(158,507)**	(160,517)
Net reversal of impairment/(impairment losses) on financial assets		**731**	(2,775)
Operating profit	*4 and 6*	**31,135**	4,779
Finance income		**21,984**	20,711
Finance costs		**(15,684)**	(13,612)
Finance income – net		**6,300**	7,099
Share of results of a joint venture		**3,828**	4,882
Profit before taxation		**41,263**	16,760
Taxation	*7*	**(22,627)**	789
Profit for the period		**18,636**	17,549
Attributable to:			
Shareholders of the Company		**14,808**	19,776
Non-controlling interests		**3,828**	(2,227)
		18,636	17,549
Earnings per share attributable to shareholders of the Company			
– Basic	*8*	**HK1.04 cents**	HK1.39 cents
– Diluted	*8*	**HK1.04 cents**	HK1.39 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**18,636**	17,549
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Currency translation differences	**(7,494)**	(20,217)
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(19,353)**	(27,413)
Other comprehensive loss for the period, net of tax	**(26,847)**	(47,630)
Total comprehensive loss for the period	**(8,211)**	(30,081)
Attributable to:		
Shareholders of the Company	**(11,676)**	(27,291)
Non-controlling interests	**3,465**	(2,790)
	(8,211)	(30,081)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Non-current assets			
Intangible assets		**5,126**	5,126
Property, plant and equipment		**688,483**	683,182
Right-of-use assets		**296,061**	–
Investment properties		**639,982**	598,135
Leasehold land and land use rights		**42,168**	43,025
Investment in a joint venture		**213,332**	216,723
Deferred tax assets		**42,397**	31,868
Financial assets at fair value through other comprehensive income		**107,805**	127,158
Other non-current prepayments and deposits		**25,878**	18,907
Total non-current assets		**2,061,232**	1,724,124
Current assets			
Inventories		**528,136**	561,691
Loans and advances		**916,176**	745,482
Trade receivables	*10*	**157,825**	224,706
Other receivables, prepayments and deposits		**54,757**	59,735
Tax recoverable		**5,670**	11,132
Financial assets at fair value through profit or loss		**19**	22
Deposits with banks		**21,599**	59,345
Client trust bank balances		**2,332,130**	3,137,482
Cash and bank balances		**276,492**	339,309
Total current assets		**4,292,804**	5,138,904
Current liabilities			
Trade and other payables	*11*	**2,831,387**	3,698,461
Tax payable		**34,623**	29,638
Lease liabilities		**45,108**	–
Borrowings		**190,337**	112,958
Total current liabilities		**3,101,455**	3,841,057
Net current assets		**1,191,349**	1,297,847
Total assets less current liabilities		**3,252,581**	3,021,971

	Note	Unaudited 30th June 2019 HK$'000	Audited 31st December 2018 HK$'000
Non-current liabilities			
Deferred tax liabilities		**90,906**	74,893
Lease liabilities		**279,575**	–
Borrowings		**120,501**	156,357
Other non-current liabilities		**6,410**	15,563
Total non-current liabilities		**497,392**	246,813
Net assets		**2,755,189**	2,775,158
Equity			
Share capital		**1,162,940**	1,162,940
Reserves		**1,514,394**	1,537,824
Capital and reserves attributable to the Company's shareholders		**2,677,334**	2,700,764
Non-controlling interests		**77,855**	74,394
Total equity		**2,755,189**	2,775,158

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

The financial information relating to the year ended 31st December 2018 that is included in the condensed consolidated financial information for the six months ended 30th June 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

- The Company's auditor has reported on these consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 30th August 2019.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2018, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies 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 Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1st January 2019.

HKFRS 16 establishes a comprehensive framework for recognising leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The impact on the Group's retained earnings as at 1st January 2019 was decreased by HK$11,754,000. Right-of-use assets and lease liabilities were recognised as at 1st January 2019 amounted to HK$317,018,000 and HK$343,043,000 respectively upon adoption of HKFRS 16.

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 a joint venture.

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

The unaudited segment results of the Group for the six months ended 30th June 2019 are as follows:

	Unaudited					
	Financial services *HK$'000*	**Property development** *HK$'000*	**Property investment and hotel** *HK$'000*	**Medical and healthcare** *HK$'000*	**Direct investment** *HK$'000*	*HK$'000*
Interest revenue calculated using effective interest method	**38,686**	**–**	**–**	**–**	**–**	**38,686**
Timing of recognition:						
– At a point in time	**65,338**	**56,538**	**19,094**	**16,831**	**–**	**157,801**
– Over time	**9,875**	**–**	**43,450**	**–**	**2,348**	**55,673**
Revenue	**113,899**	**56,538**	**62,544**	**16,831**	**2,348**	**252,160**
Segment results	**36,652**	**15,173**	**39,194**	**(38,859)**	**(1,388)**	**50,772**
Unallocated net operating expenses						**(19,637)**
Operating profit						**31,135**
Finance income – net						**6,300**
Share of results of a joint venture	**–**	**–**	**3,828**	**–**	**–**	**3,828**
Profit before taxation						**41,263**

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

The unaudited segment results of the Group for the six months ended 30th June 2018 are as follows:

	Unaudited					
	Financial services	Property development	Property investment and hotel	Medical and healthcare	Direct investment	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest revenue calculated using effective interest method	59,738	–	–	–	–	59,738
Timing of recognition:						
– At a point in time	81,623	30,618	18,599	10,373	–	141,213
– Over time	15,279	–	44,149	–	2,501	61,929
Revenue	156,640	30,618	62,748	10,373	2,501	262,880
Segment results	71,918	5,881	(8,292)	(38,412)	(4,371)	26,724
Unallocated net operating expenses						(21,945)
Operating profit						4,779
Finance income – net						7,099
Share of results of a joint venture	–	–	4,882	–	–	4,882
Profit before taxation						16,760

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

The unaudited segment assets of the Group as at 30th June 2019 are as follows:

	Unaudited					
	Financial services	**Property development**	**Property investment and hotel**	**Medical and healthcare**	**Direct investment**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**3,597,921**	**632,064**	**1,307,725**	**422,125**	**114,789**	**6,074,624**
Investment in a joint venture	**–**	**–**	**213,332**	**–**	**–**	**213,332**
Tax recoverable						**5,670**
Deferred tax assets						**42,397**
Corporate assets						**18,013**
Total assets						**6,354,036**

The audited segment assets of the Group as at 31st December 2018 are as follows:

	Audited					
	Financial services *HK$'000*	Property development *HK$'000*	Property investment and hotel *HK$'000*	Medical and healthcare *HK$'000*	Direct investment *HK$'000*	*HK$'000*
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

5. OTHER GAINS/(LOSSES) – NET

	Unaudited Six months ended 30th June	
	2019 ***HK$'000***	2018 *HK$'000*
Gain on disposal of investment properties	**241**	–
Fair value gains/(losses) on investment properties	**39,378**	(12,111)
Loss on disposal of property, plant and equipment	**(45)**	–
Net foreign exchange (loss)/gain	**(1,016)**	5,284
	38,558	(6,827)

6. OPERATING PROFIT

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

	Unaudited Six months ended 30th June	
	2019 ***HK$'000***	2018 *HK$'000*
Charging:		
Depreciation	**40,020**	14,008
Amortisation of leasehold land and land use rights	**790**	833
Staff costs	**111,871**	109,084

7. TAXATION

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

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Current	**4,838**	10,127
– Over – provision in previous years	**–**	(13)
Overseas profits tax		
– Current	**5,522**	1,245
– Under – provision in previous years	**6**	17
Land appreciation tax	**3,840**	894
Deferred taxation	**8,421**	(13,059)
Taxation charge/(credit)	**22,627**	(789)

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK$14,808,000 (2018: HK$19,776,000). The basic earnings per share is based on the weighted average number of 1,418,973,012 (2018: 1,418,973,012) shares in issue during the period.

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

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2019 (2018: Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Due from stockbrokers and clearing houses	**68,250**	149,463
Due from stockbroking clients	**80,960**	67,982
Trade receivables – others	**23,388**	22,074
	172,598	239,519
Loss allowance	**(14,773)**	(14,813)
	157,825	224,706

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

The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

At 30th June 2019 and 31st December 2018, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
0 – 30 days	**155,367**	221,215
31 – 60 days	**1,284**	2,808
61 – 90 days	**813**	601
Over 90 days	**361**	82
	157,825	224,706

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
Due to stockbrokers and dealers	**5,981**	88,015
Due to stockbroking clients and clearing houses	**2,475,939**	3,244,300
Trade payables	**160,423**	165,985
Total trade payables	**2,642,343**	3,498,300
Contract liabilities	**38,498**	40,857
Accruals and other payables	**150,546**	159,304
	2,831,387	3,698,461

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the trade and other payables are approximately the same as the carrying values.

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$2,332,130,000 (31st December 2018: HK$3,137,482,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients and clearing houses as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

At 30th June 2019 and 31st December 2018, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2019 *HK$'000*	Audited 31st December 2018 *HK$'000*
0 – 30 days	**127,371**	136,445
31 – 60 days	**3,272**	4,147
61 – 90 days	**4,488**	2,169
Over 90 days	**25,292**	23,224
	160,423	165,985

MARKET OVERVIEW

During the first half of 2019, global financial markets remained volatile. Global economy was clouded with the Sino-US trade war and the slowing economic growth momentum. Despites rebound on news of further trade negotiation between the US and Chinese governments in early 2019, the financial markets continued to be sensitive to uncertainties in the US interest rate outlook, the potential risk of no-deal Brexit, the weak economic performance in Europe and the geopolitical tensions in specific regions. According to the recent reports from International Monetary Fund and the World Bank, the global economic growth rate is expected to be slightly reduced.

In China, the overall economic growth was slowed down in early 2019. Following intensive fiscal policies including the tax and fee reduction and various industry-specific stimulation policies, the marco-economy was underpinned with improved consumption data. On the other hand, market worries about effectiveness of subsequent fiscal and monetary policies in stimulating economic growth. The financial market rebound in the first quarter of the year amid to the prospects of capital inflow and stabilisation of Renminbi, but then trimmed with concerns about the impact to real economy lead by the continuous trade tensions. The property market remained stable with strong resilience in market price.

In Hong Kong, the financial market witnessed recovery in the first quarter of 2019 with a strong rebound on Hang Seng Index, hitting a 10-month high of above 30,000. This momentum was then hindered with the reappearance of the Sino-US trade tensions, the awareness of weak economic data reported by the Central Government and the uncertainties on external economic environment. Due to growing concerns on fluctuation in the international markets, general market activity was curtailed.

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 first half of 2019, global financial market remained volatile against concerns on the Sino-US trade tensions and potential slowing global economic growth momentum. Market was sensitive to uncertainties from Brexit and the US interest rate outlook. The Hong Kong stock market rebounded in the first half of 2019 with Hang Seng Index hit above 30,000 in April, but then fell below 27,000 in May due to market fluctuation in oversea markets. During the reporting period, performance of the Financial Services Sector was impeded with decline in market trading volume leading to decrease in overall brokerage commission income. The Group endeavors to control quality of our margin loan portfolio. Concerns about market fluctuation on specific industry sector, average margin loan has been reduced and limited to high quality securities which further hindered revenue on margin loan interest income.

For the first half of 2019, the property market in China as a whole reported stable development, with slight price rise following certain relaxation on the control policies. Upon completion of the construction work, sales of properties from Huangshan property development project has been recognised starting from 2018. Following enlarged marketing force, volume of sales of properties has been improved, resulting in remarkable increase in revenue generated from the Property and Hotel Sector. During the reporting period, benefited from the property price rise, the Group is capable to recognised valuation gain against a valuation loss reported in last year.

Upon the grand opening in November 2018, our one-stop integrated medical centre located in Central gradually extends its service scopes ranging from medical services including general and specialist consultation, imaging, day surgery, body check, IVF, central pharmacy to healthcare services including rehabilitation, wellness and medical beauty solutions. Our medical centre is still at development stage and we plan to further extend our services to dental care in the second half of 2019. Utilisation rate of each of the service centres has reported slight improvement, but yet to be boosted up. Given the fact that constant but significant rental and depreciation expense were incurred, operating loss from the Medical and Healthcare Sector was approximately the same as last year.

FINANCIAL REVIEW

For the six months ended 30th June 2019, the Group reported a net profit attributable to shareholders of approximately HK$15 million, representing 25% reduction as compared to approximately HK$20 million reported from the corresponding period of 2018. This result was attributable to the reduction in income derived from Financial Services Sector, mainly from revenue on margin loan and securities brokerage businesses. On the other hand, our property development and investment businesses recorded improvement in performance, with increase in sales on properties reported from Huangshan property development project and recognition of valuation gain tracking the property price rise. This partially offset the negative impact on decrease in revenue from financial services business. The basic earnings per share attributable to the shareholders of the Company was HK1.04 cents. Revenue of the Group was approximately HK$252 million, representing a slight decrease by 4% over the same period of 2018 tracking reduction on margin loan interest income and securities brokerage income, despites that increase in revenue from our new medical centre and sales on properties had been reported. Total net assets of the Group reported slight decrease by 1% to approximately HK$2,755 million when compared with approximately HK$2,775 million as at 31st December 2018.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. We offer full range of financial services to our customers. For the first half of 2019, the operating profit reported from Financial Services Sector reduced significantly by 49% when compared with 2018. This was mainly attributable to the drop in margin loan interest income and securities brokerage commission income.

The Hong Kong stock market was volatile in 2019. Hang Seng Index closed at 28,543 as at 30th June 2019, representing an increase of 10% as compared to the beginning of the year. In the first half of 2019, the average daily market turnover declined by 23% from HK$127 billion to HK$98 billion, attributable to unfavourable investment sentiment caused by the Sino-US trade war. During the reporting period, our brokerage business, impaired by reduction on market trading volume, reported decrease in brokerage commission income by 37%. Margin loan interest income was reduced by 35% following a slump in average margin loan size with tighter credit control policy.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2019, we have completed five financial advisory cases. In addition, five IPO cases were under processing. Income from advisory services decreased by 22% as there was no IPO completed in the first half of 2019, dampened by diminishing IPO and fund raising activities in Hong Kong stock market.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland, including residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2019, operating profit of HK$54 million was reported from Property and Hotel Sector as compared with an operating loss of HK$2 million in the corresponding period of last year. This encouraging result was contributed by the increase in sales of properties from Huangshan development project following its construction completion in 2018.

For the six months ended 30th June 2019, operating revenue from property investment and management operations dropped by 8% as compared with the corresponding period in 2018 owing to slight reduction on rental occupancy rate. For investment properties held by the Group, valuation gain of HK$39 million was recorded as compared to valuation loss of HK$12 million in the corresponding period in 2018 due to the general rise in property prices in Chinese Mainland.

For the six months ended 30th June 2019, revenue from hotel and golf operations was approximately the same as compared with the corresponding period in 2018. Our new golf hotel in Paris commenced its operation since late June 2019 while revenue generated is minimal at its set up stage.

Medical and Healthcare

The Group explored to the Medical and Healthcare Sector by setting up a medical centre in Central, aiming at providing one-stop integrated medical services to patients from Hong Kong and Chinese Mainland. Revenue of the medical centre for the six months ended 30th June 2019 amounted to HK$17 million, representing an increase of 62% as compared with 2018. However, operating loss of HK$39 million was reported given the fact that the business was still at initial development stage with moderately low utilization rate while constant but significant rental and depreciation expenses were incurred.

Direct Investment

In 2019, Direct Investment Sector reported slight reduction in operation loss compared with the corresponding period in 2018 after various cost reduction measures implemented to non-profit making entities. Focusing our internal resources in the medical and healthcare business, there was no new direct investment launched in 2019.

PROSPECTS

Looking forward, given the challenging political and economic uncertainties, we expect Sino-US trade war, uncertainty of Brexit, concerns about the economic growth in Chinese Mainland and recent social unrest in Hong Kong will continue to affect the real economy. Global monetary policies, especially the US interest rate outlook, will dominate capital flow among financial markets. Investment sentiment and assets valuation will be hindered with market volatility.

Amid the challenging environment, we expect the Central Government's monetary policies will remain neutral while its fiscal policies will continue to focus on stimulation in domestic demand. The Sino-US trade tensions will continue to bring uncertainties to China's economic growth. Despites continue to deepen the supply-side reforms, we expect measures to accelerate the upgrading of industries and consumption structure will be implemented. The property industry is expected to remain stable as a whole with general control policies in stabilizing property price and market demand. On the financial market, we expect the Central Government will continue to strengthen its various measures to deleverage financial risk and tax and fee reduction policies so as to sustain a steady economic growth rate.

Our Financial Services Sector will be keen on maintaining 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 aim to collaborate with more corporate clients by offering comprehensive healthcare solutions, and expand our scope of 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. It has always been our focus to strike a reasonable balance between the needs for near-term returns and long-term development, as well as the expectations of our customers and shareholders. Apart from operating our financial services business, we shall have the new medical centre as our new key profit generator in future.

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

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

On 26th August 2019, the Group entered into an agreement with a purchaser to dispose of the Group's 50% equity interest in Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang"), a jointly controlled entity, for a cash consideration of approximately RMB200 million. The transaction is subject to shareholders' approval at an extraordinary general meeting to be held in October 2019. Based on the latest financial information available of Zhangjiang, it is currently expected that the Group will record an accounting loss on disposal of approximately HK$2 million.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Nomination Committee

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

Remuneration Committee

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

Audit Committee

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

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters, including a review of the unaudited consolidated interim results for the six months ended 30th June 2019 for approval by the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2019.

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, being Mr. LO Yuen Yat, Mr. XIN Shulin and Mr. YEUNG Wai Kin, one non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and four independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe.

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

Hong Kong, 30th August 2019