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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2008 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the audited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the year ended 31st December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Revenue	3	198,702	765,246
Cost of sales		(146,580)	(242,372)
Gross profit		52,122	522,874
Other gains – net	4	24,586	143,344
Selling and distribution costs		(21,544)	(11,374)
Administrative expenses		(127,637)	(272,857)
Operating (loss)/profit	5	(72,473)	381,987
Finance costs		(838)	(27,537)
Share of profits less losses of			
Associated companies		(51,303)	5,579
Jointly controlled entities		12,933	62,360
(Loss)/profit before taxation		(111,681)	422,389
Taxation	6	(8,351)	(43,056)
(Loss)/profit for the year		(120,032)	379,333
Attributable to:			
Shareholders of the Company		(111,394)	382,178
Minority interests		(8,638)	(2,845)
		(120,032)	379,333
(Losses)/earnings per share for (loss)/profit			
attributable to shareholders of the Company			
during the year			
– Basic	7	HK\$(7.99) cents	HK\$29.56 cents
– Diluted	7	HK\$(7.99) cents	HK\$29.11 cents
Dividends	8	–	41,236

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Intangible assets		3,393	3,393
Property, plant and equipment		76,567	63,567
Investment properties		47,897	43,766
Leasehold land and land use rights		389,711	309,498
Properties under development		16,759	15,843
Investments in associated companies		261,715	412,881
Investments in jointly controlled entities		157,056	140,208
Deferred tax assets		2,053	2,531
Available-for-sale financial assets		134,689	393,934
Loans and advances		27,457	11,747
		<u>1,117,297</u>	<u>1,397,368</u>
Current assets			
Inventories		5,885	13,510
Properties under development		73,268	–
Loans and advances		85,040	584,070
Trade receivables	9	134,496	418,622
Other receivables, prepayments and deposits		41,614	153,536
Tax recoverable		4,107	167
Financial assets at fair value through income statement		110,020	425,366
Deposits with banks		153,099	–
Cash and cash equivalents		935,710	576,981
		<u>1,543,239</u>	<u>2,172,252</u>
Current liabilities			
Trade and other payables	10	234,390	668,126
Tax payable		28,306	52,978
Financial liabilities at fair value through income statement		–	5,632
Borrowings		3,402	3,217
		<u>266,098</u>	<u>729,953</u>
Net current assets		<u>1,277,141</u>	<u>1,442,299</u>
Total assets less current liabilities		<u>2,394,438</u>	<u>2,839,667</u>
Non-current liability			
Deferred tax liabilities		702	700
Net assets		<u>2,393,736</u>	<u>2,838,967</u>
Equity			
Share capital		279,277	278,293
Reserves		2,040,134	2,505,598
Capital and reserves attributable to the Company's shareholders		<u>2,319,411</u>	<u>2,783,891</u>
Minority interests		74,325	55,076
Total equity		<u>2,393,736</u>	<u>2,838,967</u>

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries, associated companies and jointly controlled entities (together, the “Group”) are principally engaged in securities investment, corporate finance and stockbroking, property development, property investment and hotel, and direct investment 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 First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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, financial assets at fair value through income statement.

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.

(a) Amendments and interpretation to existing Standards effective in 2008

- Amendments to HKAS 39 Reclassification of Financial Assets; and
and HKFRS 7
- HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions

(b) Interpretations to existing Standards effective in 2008 but not relevant to the Group’s operation

The following interpretations to existing Standards are mandatory for accounting periods beginning on or after 1st January 2008 but are not relevant to the Group’s operations:

- HK(IFRIC) – Int 12 Service Concession Arrangements; and
- HK(IFRIC) – Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum
Funding Requirements and their Interaction

(c) Standard, amendments and revisions to existing Standards that are not yet effective and have not been early adopted by the Group

The following Standard, amendments and revisions to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
– HKAS 1 (Revised)	Presentation of Financial Statements;	1st January 2009
– HKAS 2 (Amendment)	Inventories;	1st January 2009
– HKAS 7 (Amendment)	Statement of Cash Flows;	1st January 2009
– HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors;	1st January 2009
– HKAS 10 (Amendment)	Events after the Balance Sheet Date;	1st January 2009
– HKAS 16 (Amendment)	Property, Plant and Equipment;	1st January 2009
– HKAS 18 (Amendment)	Revenue;	1st January 2009
– HKAS 23 (Revised)	Borrowing Costs;	1st January 2009
– HKAS 27 (Revised)	Consolidated and Separate Financial Statements;	1st July 2009
– HKAS 28 (Amendment)	Investments in Associates;	1st January 2009
– HKAS 31 (Amendment)	Interests in Joint Ventures;	1st January 2009
– HKAS 32 (Amendment)	Financial Instruments: Presentation;	1st January 2009
– HKAS 34 (Amendment)	Interim Financial Reporting;	1st January 2009
– HKAS 36 (Amendment)	Impairment of Assets;	1st January 2009
– HKAS 38 (Amendment)	Intangible Assets;	1st January 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement;	1st January 2009
– HKAS 40 (Amendment)	Investment Property;	1st January 2009
– Amendments to HKFRS 1 and HKAS 27	HKFRS 1 (Amendment), “First Time Adoption of HKFRS” and HKAS 27 (Amendment), “Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”;	1st January 2009
– HKFRS 1 (Amendment)	First Time Adoption of HKFRS;	1st July 2009
– HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations;	1st January 2009
– HKFRS 3 (Revised)	Business Combinations;	1st July 2009
– HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations;	1st July 2009
– HKFRS 7 (Amendment)	Financial Instruments: Disclosures; and	1st January 2009
– HKFRS 8	Operating Segments	1st January 2009

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

(d) Amendments and interpretations to existing Standards that are not yet effective and not relevant for the Group's operations

The following amendments and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods but are not relevant for the Group's operations:

		Effective for accounting periods beginning on or after
– HKAS 19 (Amendment)	Employee Benefits;	1st January 2009
– HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance;	1st January 2009
– HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies;	1st January 2009
– Amendments to HKAS 32 and HKAS 1	HKAS 32 (Amendment), “Financial Instruments: Presentation” and HKAS 1 (Amendment), “Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation”;	1st January 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items;	1st July 2009
– Amendments to HKAS 39 and HK(IFRIC) – Int 9	HKAS 39 (Amendment), “Financial Instruments: Recognition and Measurement” and HK(IFRIC) – Int 9, “Reassessment of Embedded Derivatives”;	30th June 2009
– HKAS 41 (Amendment)	Agriculture;	1st January 2009
– HK(IFRIC) – Int 13	Customer Loyalty Programmes;	1st July 2008
– HK(IFRIC) – Int 15	Agreements for Construction of Real Estates;	1st January 2009
– HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation;	1st October 2008
– HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners; and	1st July 2009
– HK(IFRIC) – Int 18	Transfers of Assets from Customers	1st July 2009

3. SEGMENT INFORMATION

The Group has determined the business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, and properties under development.

In respect of geographical segment reporting, revenue is based on the country in which the customers are located.

(a) **Primary reporting format – business segments**

The Group is organised into five main business segments:

- Securities investment
- Corporate finance and stockbroking
- Property development
- Property investment and hotel
- Direct investment and management

	Securities investment 2008 HK\$'000	Corporate finance and stockbroking 2008 HK\$'000	Property development 2008 HK\$'000	Property investment and hotel 2008 HK\$'000	Direct investment and management 2008 HK\$'000	Group 2008 HK\$'000
Income statement						
Revenue	<u>(110,975)</u>	<u>213,294</u>	<u>-</u>	<u>4,486</u>	<u>91,897</u>	<u>198,702</u>
Segment results	<u>(102,974)</u>	<u>70,454</u>	<u>(6,343)</u>	<u>1,480</u>	<u>(35,090)</u>	<u>(72,473)</u>
Finance costs	-	(539)	-	(32)	(267)	(838)
Share of profits less losses of						
– Associated companies	51	-	-	-	(51,354)	(51,303)
– Jointly controlled entities	-	-	-	13,592	(659)	12,933
Loss before taxation						(111,681)
Taxation						<u>(8,351)</u>
Loss for the year						<u>(120,032)</u>
Balance sheet						
Segment assets	136,100	610,491	550,001	282,365	656,648	2,235,605
Investments in associated companies	-	-	-	-	261,715	261,715
Investments in jointly controlled entities	-	-	-	134,378	22,678	157,056
Tax recoverable						4,107
Deferred tax assets						<u>2,053</u>
Total assets						<u>2,660,536</u>
Segment liabilities	57	81,598	94,412	6,599	55,126	237,792
Tax payable						28,306
Deferred tax liabilities						<u>702</u>
Total liabilities						<u>266,800</u>
Other information						
Capital expenditure	-	2,892	147,596	21,390	1,031	172,909
Depreciation	4	2,103	214	922	6,288	9,531
Impairment of property, plant and equipment	-	-	-	-	5,670	5,670
Amortisation of leasehold land and land use rights	-	-	3,162	2,714	717	6,593

Note: There are no sales among the business segments.

	Securities investment	Corporate finance and stockbroking	Property development (Note (b)) 2007	Property investment and hotel (Note (b)) 2007	Direct investment and management (Note (b)) 2007	Group 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income statement						
Revenue	<u>164,392</u>	<u>463,149</u>	<u>–</u>	<u>30,006</u>	<u>107,699</u>	<u>765,246</u>
Segment results	<u>141,736</u>	<u>198,051</u>	<u>943</u>	<u>152,109</u>	<u>(110,852)</u>	381,987
Finance costs	–	(23,968)	–	(2,932)	(637)	(27,537)
Share of profits less losses of						
– Associated companies	3,249	–	–	–	2,330	5,579
– Jointly controlled entities	–	–	–	63,326	(966)	<u>62,360</u>
Profit before taxation						422,389
Taxation						<u>(43,056)</u>
Profit for the year						<u>379,333</u>
Balance sheet						
Segment assets	438,071	1,078,544	335,449	209,885	951,884	3,013,833
Investments in associated companies	214	–	–	–	412,667	412,881
Investments in jointly controlled entities	–	–	–	118,148	22,060	140,208
Tax recoverable						167
Deferred tax assets						<u>2,531</u>
Total assets						<u>3,569,620</u>
Segment liabilities	124,212	302,656	23,217	6,123	220,767	676,975
Tax payable						52,978
Deferred tax liabilities						<u>700</u>
Total liabilities						<u>730,653</u>
Other information						
Capital expenditure	–	2,955	186,859	100,007	1,379	291,200
Depreciation	100	1,778	101	5,929	6,719	14,627
Amortisation of leasehold land and land use rights	–	–	1,124	2,139	678	3,941

Notes: (a) There are no sales among the business segments.

- (b) To conform with the business segment presentation in current year, the Group's investment holding and management, and container transportation and freight forwarding services, previously presented as separate segments, have been reclassified to be disclosed under direct investment and management segment. The Group's property development and property investment businesses, previously included in property development and investment, have been separated to be disclosed under property development segment and property investment and hotel segment respectively. The Group's hotel operation, previously presented as a separate segment, has been reclassified to be disclosed under property investment and hotel segment.

(b) Secondary reporting format – geographical segments

	Revenue 2008 HK\$'000	Segment results 2008 HK\$'000	Total assets 2008 HK\$'000	Capital expenditure 2008 HK\$'000
Hong Kong	107,531	(25,269)	1,062,728	3,402
Chinese Mainland	94,255	(40,865)	1,165,251	169,465
Others	(3,084)	(6,339)	7,626	42
	<u>198,702</u>	<u>(72,473)</u>	2,235,605	<u>172,909</u>
Investments in associated companies			261,715	
Investments in jointly controlled entities			157,056	
Tax recoverable			4,107	
Deferred tax assets			<u>2,053</u>	
Total assets			<u>2,660,536</u>	
	Revenue 2007 HK\$'000	Segment results 2007 HK\$'000	Total assets 2007 HK\$'000	Capital expenditure 2007 HK\$'000
Hong Kong	622,552	254,217	2,103,501	2,378
Chinese Mainland	134,375	123,139	891,879	288,822
Others	8,319	4,631	18,453	–
	<u>765,246</u>	<u>381,987</u>	3,013,833	<u>291,200</u>
Investments in associated companies			412,881	
Investments in jointly controlled entities			140,208	
Tax recoverable			167	
Deferred tax assets			<u>2,531</u>	
Total assets			<u>3,569,620</u>	

Note: There are no sales among the geographical segments.

4. OTHER GAINS – NET

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Gain on disposal of interest in subsidiaries	–	145,703
Loss on disposal of an associated company	–	(1,022)
Loss on deemed disposal of partial interest in an associated company	–	(1,833)
Loss on disposal of available-for-sale financial assets	–	(4,431)
Impairment of available-for-sale financial assets	(2,695)	(17,788)
Interest income	25,760	18,777
	<hr/>	<hr/>
Investment income, net	23,065	139,406
Net fair value gains on investment properties	1,521	3,938
	<hr/>	<hr/>
	24,586	143,344
	<hr/> <hr/>	<hr/> <hr/>

5. OPERATING (LOSS)/PROFIT

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<u>Crediting</u>		
Net gain on disposal of property, plant and equipment	–	86
Net foreign exchange gain	16,515	13,521
	<hr/> <hr/>	<hr/> <hr/>
<u>Charging</u>		
Depreciation	9,531	14,627
Amortisation of leasehold land and land use rights	6,593	3,941
Direct expense in respect of container transportation and freight forwarding services	31,718	29,864
Cost of inventories	22,697	35,029
Stockbroking commission and related expense	34,722	75,792
Stamp duty and other transaction costs	37,975	81,705
Staff costs	135,986	209,524
Operating lease rental in respect of land and buildings	9,220	7,170
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,081	2,041
– other auditors	598	539
Non-audit services – the Company's auditor	243	127
Provision for doubtful debts	11,517	1,471
Provision for obsolete stock	3,712	4,449
Impairment of property, plant and equipment	5,670	–
Net loss on disposal of property, plant and equipment	285	–
	<hr/> <hr/>	<hr/> <hr/>

6. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) 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 to the consolidated income statement represents:

	2008	2007
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current	8,122	29,612
Over-provision in previous years	(1,215)	(259)
Overseas taxation		
Current	1,347	14,799
Over-provision in previous years	(455)	–
Deferred taxation	<u>552</u>	<u>(1,096)</u>
Taxation charge	<u>8,351</u>	<u>43,056</u>

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\$111,394,000 (2007: Group's profit attributable to shareholders of HK\$382,178,000). The basic (losses)/earnings per share is based on the weighted average number of 1,394,749,571 (2007: 1,292,967,048) shares in issue during the year. The diluted earnings per share for 2007 is based on 1,312,969,167 shares which is the weighted average number of shares in issue during 2007 plus the weighted average number of 20,002,119 shares deemed to be issued at no consideration if all outstanding options had been exercised. Diluted losses per share for 2008 is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

8. DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend (2007: HK\$0.01 per ordinary share totaling HK\$13,915,000, which together with the interim dividend payment amounting to a total of HK\$41,236,000) for the year ended 31st December 2008.

	2008	2007
	HK\$'000	HK\$'000
Interim dividend paid of HK\$Nil (2007: HK\$0.02) per ordinary share	–	27,321
Proposed final dividend of HK\$Nil (2007: HK\$0.01) per ordinary share	<u>–</u>	<u>13,915</u>
	<u>–</u>	<u>41,236</u>

9. TRADE RECEIVABLES

	2008	2007
	HK\$'000	HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	24,172	68,683
Due from stockbroking clients	46,345	280,589
Trade receivables	69,697	73,439
Bills receivable	1,587	557
	<u>141,801</u>	<u>423,268</u>
Provision for impairment	(7,305)	(4,646)
	<u>134,496</u>	<u>418,622</u>

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

The ageing analysis of the trade receivables is as follows:

	2008	2007
	HK\$'000	HK\$'000
0 – 30 days	116,593	396,209
31 – 60 days	5,354	6,704
61 – 90 days	3,381	4,021
Over 90 days	9,168	11,688
	<u>134,496</u>	<u>418,622</u>

10. TRADE AND OTHER PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Due to stockbrokers and dealers	–	3,738
Due to stockbroking clients	63,458	356,385
Trade payables	30,350	30,442
	<hr/>	<hr/>
Total trade payables	93,808	390,565
Accruals and other payables	140,582	277,561
	<hr/>	<hr/>
	234,390	668,126
	<hr/> <hr/>	<hr/> <hr/>

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

The ageing analysis of the trade payables is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	65,021	362,532
31 – 60 days	1,126	1,730
61 – 90 days	840	1,965
Over 90 days	26,821	24,338
	<hr/>	<hr/>
	93,808	390,565
	<hr/> <hr/>	<hr/> <hr/>

11. COMMITMENTS

- (a) Capital commitments for leasehold land and land use rights, properties under development and property, plant and equipment:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Contracted but not provided for	290,342	96,787
	<hr/>	<hr/>
Authorised but not contracted	740,627	798,933
	<hr/>	<hr/>

The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:

Authorised but not contracted	–	257,270
	<hr/> <hr/>	<hr/> <hr/>

(b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of property, plant and equipment, and investment properties as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not later than one year	2,682	5,181
Later than one year but not later than five years	3,340	3,530
More than five years	335	1,126
	<u>6,357</u>	<u>9,837</u>

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not later than one year	7,359	5,609
Later than one year but not later than five years	4,737	2,037
	<u>12,096</u>	<u>7,646</u>

BUSINESS OVERVIEW

The global financial markets went through a tremendously challenging year in 2008, experienced with unprecedented market volatilities, substantial credit crunch and widespread economic recession. Although China still achieved a high GDP growth of 9% in 2008, the global recession is set to be the worst since the Second World War. The trade and financial market linkage now bind the fates of nations closely together. Even the financial systems have resumed stability to some degree in light of the rescue packages launched by various governments, the volatility in the financial markets has already dealt an intensified hit to the real economy. Focusing on financial services and property development industries, the Group's business was inevitably affected. However, we are cautiously optimistic about the economic growth in China. With the solid presence in Chinese Mainland, our healthy financial positions and abundant cash, we will sustain for continuous development during the market trough.

In view of the poor market sentiment, the Group's consolidated net loss attributable to shareholders of the Company was approximately HK\$111 million, comparing with a net profit of approximately HK\$382 million in 2007, after absorbing the net trading loss of approximately HK\$77 million from investment in a Hong Kong registered securities investment fund, which reflects the rapid decline in share price of global stock market. Corporate finance and stockbroking businesses, though continuous to be one of the Group's major profit contributor, were also deterred with the dramatic decline in market trading volume and restrained fund raising activities, resulted in an operating gain of approximately HK\$70 million for 2008. The Group's performance was further suffered from the loss of approximately

HK\$45 million reported by its investment in a listed associate, China Assets (Holdings) Limited (“China Assets”). China Assets was seriously affected by the widespread economic downturn and has made significant provision for impairment on various equity investments in 2008. The Group’s consolidated revenue dropped from 2007 by 74% to approximately HK\$199 million as a result of the reduction in stockbroking commission and income from trading portfolio.

The total net assets of the Group decreased by 16% from approximately HK\$2,839 million in 2007 to approximately HK\$2,394 million in 2008. This partly reflected shrinking in share price of the Group’s investment in Shenyin Wanguo (H.K.) Limited. As the Group is holding this investment for long-term strategic purpose, the impact on fair value change will not be realised in the income statement until disposal.

The Group adhered to its strategic plan and devoted its efforts and resources to accelerating its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

Hong Kong financial market has experienced an extremely volatile year in 2008. Despite the confidence of China concept, investors’ appetite shrank, especially after the global credit crisis stimulated by the bankruptcy of Lehman Brothers. Hang Seng Index dropped from 27,813 to 14,387 and hit the lowest at 10,676 in October 2008. The negative market sentiments have deeply dampened demand on Hong Kong securities trading. Total market capitalisation and average daily market turnover fell dramatically from HK\$20.5 trillion and HK\$88.1 billion respectively in 2007 to HK\$10.3 trillion and HK\$72.1 billion respectively in 2008.

Amid this market downtrend, securities broking, underwriting and corporate finance activities were dwindled sharply. Brokerage commission and underwriting commission, vulnerable to the contraction in trading volume, declined by 51% and 75% respectively. Margin loan size fell notably, impacted from the reduction in leverage on securities trading. However, under our prudent credit policy, our loan quality was sound with no bad debt against the general trend of rising delinquencies. We believe after this severe correction in stock market, investment interest, especially in the Chinese market, will substantiate resilient while our business will revive accordingly.

Despite the financial turmoil, our corporate finance division, as an active player in the financial advisory, completed 35 corporate advisory assignments and acted as compliance advisers to 4 listed companies during the year ended 31st December 2008. We also successfully completed the migration of NetDragon Websoft Inc., a leading Chinese online game developer and operator, and Town Health International Holdings Company Limited, an integrated healthcare service provider, from GEM to the Main Board of the Hong Kong Stock Exchange. We will continue to focus on seeking more corporate advisory deals under the current challenging market condition. It is also our strategy to continue seek for IPO sponsorship opportunities so as to be well prepared when recovery ultimately comes.

Property and Hotel

With the implementation of series of austerity measures by the government, property market in China has undergone a consolidation stage. During the year of 2008, both transaction volume and selling price reduced, especially in first-tier cities, when compared with last year. However, as the government adjusted its macro-economic policies by unveiling its up to RMB4 trillion economic stimulus package and certain regional authorities implemented various industrial-specific measures in late 2008, market confidence was strengthened in early 2009. Both transaction volume and selling price have rebounded slightly, especially on homebuyers market.

The Group's strategy is continuous to develop properties in fast growing second-tier cities in Chinese Mainland such as Kunshan, Wuxi and Zhongshan. Our Property and Hotel Sector is now participating in five development projects of which two are still under development while the one in Kunshan has launched its pre-sales during the year. As our target customers are primarily homebuyers within the region, sales progress is not materially hindered.

Specialising in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts, the Group currently has accumulated land for development up to a total gross floor area of approximately 390,000 square meters.

With no disposal of hotel in 2008 when compared with 2007, the Property and Hotel Sector has reported decline of 96% on operating profit to approximately HK\$9 million for the year ended 31st December 2008. Operating profit for the year was mainly derived from rental income and investment properties revaluation from a jointly controlled entity, which was partly set-off with land amortisation cost of various sites to be developed. Capital expenditures incurred were approximately HK\$169 million and HK\$287 million in 2008 and 2007 respectively.

Direct Investment

Under the adverse market environment, the Group has adopted active but prudent approach in pursuing new and potential investment projects. With uncertainty on return from its proposed investment in Shenyang Heat Supply Group, which was announced in November 2007, the Group terminated the acquisition in September 2008.

The Group has continuously scaled down its investments in container transportation and freight forwarding business and motor vehicle meters and components manufacturing business due to the unfavourable market conditions. Harshly hit by the unexpected downturn in export in Chinese Mainland, we consider future on these businesses may even deteriorate and made impairment on relevant assets in 2008.

Another factor bringing the investment loss to the Direct Investment Sector was attributed by the painful results from investments in China Assets. During 2008, China Assets has made full provision against its equity investments in Canton Property Investments Ltd. ("CPI") and Smartbuy Group Holdings Ltd. ("Smartbuy"). CPI, a long-term investment of China Assets in the Chinese property market, has been forced to de-list from Alternative Investment Market of London Stock Exchange due to various management, compliance issues and corporate failure. Smartbuy, an internet-platform design and service provider in Chinese Mainland, has reported significant operational loss badly impacted by the sudden economic turmoil.

PROSPECTS

In 2008, the global economy encountered significant challenges and huge volatility. As this financial turmoil has already brought widespread stick to the fundamental economies, we expect economic recession and financial irregularities will continue in 2009. Global economic growth will post a further slowdown. Financial market is still weak and need further adjustments.

However, with the concerted multinational rescue packages, leaded by the US, European and Chinese governments, we remain hopeful that global economic meltdown should be prevented. Though economics of developed countries still need to sustain in the foreseeable future, after a return of confidence and re-balance of market regularities, their financial markets will be able to stabilised. Together with the up to RMB4 trillion economic stimulus packages announced by the Chinese government, while various economic indicators have shown invigorate results, we believe Chinese Mainland will be able to withstand the challenges ahead. We believe Hong Kong, with China on the back, will be undoubtedly able to revive with a more favourable pace.

The Group will continue its normal pace in expansion of its presence in both financial market and property development in Chinese Mainland. We will make full use of our brand recognition and business network to strengthen our market penetration. On top, we will continue to monitor the market needs to enhance our products and services quality, to capitalise our professional team and to refine the operational efficiency so as to consolidate for capture future business opportunities. Meanwhile, we will continue to pursue, on an active and prudent approach, strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2008, the Group recorded a net loss and basic losses per share attributable to shareholders of the Company amounting to approximately HK\$111 million and HK\$7.99 cents respectively, compared with a net profit and basic earnings per share attributable to shareholders of the Company of approximately HK\$382 million and HK\$29.56 cents respectively in 2007. Revenue of the Group is approximately HK\$199 million, represents a decrease of 74% from 2007.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects and our financial services business. As at 31st December 2008, the Group had raised bank loans of approximately HK\$3 million (2007: HK\$3 million) and held approximately HK\$1,089 million (2007: HK\$577 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.1% (2007: 0.1%). Investment in "financial assets at fair value through income statement" as at 31st December 2008 amounted to approximately HK\$110 million (2007: HK\$425 million). The Group had no "financial liabilities at fair value through income statement" as at 31st December 2008 (2007: HK\$6 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will remain 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 and leasehold land and land use rights with an aggregate net carrying value of approximately HK\$59 million (2007: HK\$59 million) and fixed deposits of approximately HK\$31 million (2007: HK\$33 million) against its bank loans and general banking facilities amounting to HK\$16 million (2007: HK\$18 million) utilised.

Employees

As at 31st December 2008, the Group employed 547 staff, of which 449 are located in the Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined 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 2008 amounted to approximately HK\$136 million (2007: HK\$210 million).

Material acquisition and disposal of group companies

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

Contingent liabilities

As at 31st December 2008, the Group had no material contingent liabilities.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend (2007: HK\$0.02 per ordinary share totaling HK\$27,321,000) during 2008.

The Board of Directors does not recommend the payment of a final dividend (2007: HK\$0.01 per ordinary share totaling HK\$13,915,000, which together with the interim dividend payment amounting to a total of HK\$41,236,000) for the year ended 31st December 2008.

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 ("Stock Exchange") during the year ended 31st December 2008.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board of Directors was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. Kwok Lam Kwong, Larry, *B.B.S., J.P.* and the four independent non-executive Directors, Prof. Woo Chia-Wei, Mr. Liu Ji, Mr. Yu Qi-Hao and Mr. Zhou Xiaohe. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year. During the year ended 31st December 2008, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the Group's accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

REMUNERATION COMMITTEE

A Remuneration Committee, comprising three independent non-executive directors, Prof. Woo Chia-Wei, Mr. Yu Qi-Hao and Mr. Zhou Xiaohe, and an executive director, Mr. Lao Yuan-Yi, was established on 30th June 2005. The Remuneration Committee was set up 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.

COMPLIANCE WITH CODE ON GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st December 2008, except for the deviation from provision A.2.1 of the CG Code.

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Lao Yuan-Yi holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Lao 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.

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. Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

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 "Latest Listed Company Information" and the Company at <http://www.firstshanghai.com.hk> under "Press Release – Results Announcements". The 2008 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 "Latest Listed Company Information" and the Company at <http://www.firstshanghai.com.hk> under "Financial Report" in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, being Mr. Lao Yuan-Yi, 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 Qi-Hao and Mr. Zhou Xiaohe.

By order of the Board
First Shanghai Investments Limited
LAO Yuan-Yi
Chairman

Hong Kong, 17th April 2009