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FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2019 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31st December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	4	**533,529**	473,726
Cost of sales		**(217,569)**	(169,106)
Gross profit		**315,960**	304,620
Other gains – net	5	**59,977**	33,726
Selling, general and administrative expenses		**(341,314)**	(326,582)
Operating profit	6	**34,623**	11,764
Finance income		**42,461**	50,327
Finance costs		**(31,612)**	(21,919)
Finance income – net		**10,849**	28,408
Share of results of a joint venture		**5,553**	9,965
Loss on disposal of a joint venture		**(2,137)**	–
Profit before taxation		**48,888**	50,137
Taxation	7	**(33,303)**	(13,381)
Profit for the year		**15,585**	36,756
Attributable to:			
Shareholders of the Company		**10,618**	33,403
Non-controlling interests		**4,967**	3,353
		15,585	36,756
Earnings per share for profit attributable to shareholders of the Company during the year			
– Basic	8	**HK0.75 cents**	HK2.35 cents
– Diluted	8	**HK0.75 cents**	HK2.35 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**15,585**	36,756
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Exchange reserve realised upon disposal of a joint venture	**(3,250)**	–
– Exchange reserve realised upon disposal of a subsidiary	**–**	2
– Currency translation differences	**(32,532)**	(62,735)
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(30,025)**	(57,472)
Other comprehensive loss for the year, net of tax	**(65,807)**	(120,205)
Total comprehensive loss for the year	**(50,222)**	(83,449)
Attributable to:		
Shareholders of the Company	**(53,474)**	(83,253)
Non-controlling interests	**3,252**	(196)
	(50,222)	(83,449)

CONSOLIDATED BALANCE SHEET

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Intangible assets		**5,126**	5,126
Property, plant and equipment		**679,014**	683,182
Right-of-use assets		**261,935**	–
Investment properties		**661,532**	598,135
Leasehold land and land use rights		**41,043**	43,025
Investment in a joint venture		**–**	216,723
Deferred tax assets		**50,949**	31,868
Financial assets at fair value through other comprehensive income		**97,133**	127,158
Finance lease receivables		**12,122**	–
Other non-current prepayments and deposits		**17,038**	18,907
Total non-current assets		**1,825,892**	1,724,124
Current assets			
Inventories		**491,571**	561,691
Loans and advances		**1,164,813**	745,482
Trade receivables	*10*	**190,550**	224,706
Other receivables, prepayments and deposits		**276,461**	59,735
Finance lease receivables		**1,821**	–
Tax recoverable		**1,315**	11,132
Financial assets at fair value through profit or loss		**17**	22
Deposits with banks		**11,163**	59,345
Client trust bank balances		**1,827,882**	3,137,482
Cash and bank balances		**216,270**	339,309
Total current assets		**4,181,863**	5,138,904
Current liabilities			
Trade and other payables	*11*	**2,470,250**	3,698,461
Tax payable		**42,382**	29,638
Lease liabilities		**44,041**	–
Borrowings		**228,021**	112,958
Total current liabilities		**2,784,694**	3,841,057
Net current assets		**1,397,169**	1,297,847
Total assets less current liabilities		**3,223,061**	3,021,971

	Note	**2019**	2018
		HK$'000	*HK$'000*
Non-current liabilities			
Deferred tax liabilities		**93,915**	74,893
Lease liabilities		**261,782**	–
Borrowings		**149,590**	156,357
Other non-current liabilities		**6,507**	15,563
Total non-current liabilities		**511,794**	246,813
Net assets		**2,711,267**	2,775,158
Equity			
Share capital		**1,162,940**	1,162,940
Reserves		**1,471,436**	1,537,824
Capital and reserves attributable to the Company's shareholders		**2,634,376**	2,700,764
Non-controlling interests		**76,891**	74,394
Total equity		**2,711,267**	2,775,158

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 operations, medical and healthcare services, direct investment, investment holding and management.

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

The financial information relating to the years ended 31st December 2019 and 2018 included in this announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 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) and will deliver the consolidated financial statements for the year ended 31st December 2019 in due course.

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

2. BASIS OF PREPARATION

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

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments 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 net impact on the Group's retained earnings on 1st January 2019 was a decrease of 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 Group operates primarily in Hong Kong and the PRC. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods and services.

(a) Operating segments

	Financial services 2019 *HK$'000*	Property development 2019 *HK$'000*	Property investment and hotel 2019 *HK$'000*	Medical and healthcare 2019 *HK$'000*	Direct investment 2019 *HK$'000*	2019 *HK$'000*
Income statement						
Revenue	250,798	104,165	139,017	34,942	4,607	533,529
Segment results	90,150	29,793	51,682	(88,257)	(3,366)	80,002
Unallocated net operating expenses						(45,379)
Operating profit						34,623
Finance income – net						10,849
Share of results of a joint venture	–	–	5,553	–	–	5,553
Loss on disposal of a joint venture	–	–	(2,137)	–	–	(2,137)
Profit before taxation						48,888
Balance sheet						
Segment assets	3,292,475	640,862	1,290,225	392,656	95,429	5,711,647
Tax recoverable						1,315
Deferred tax assets						50,949
Corporate assets						243,844
Total assets						6,007,755
Other information						
Depreciation and amortisation	8,520	629	23,302	54,507	1,065	88,023

Note: There were no sales among the operating segments.

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

Note: There were no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2019 *HK$'000*	**PRC and others 2019 *HK$'000***	**2019 *HK$'000***
Revenue	**286,189**	**247,340**	**533,529**
Non-current assets*	**468,456**	**1,209,354**	**1,677,810**

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

* Non-current assets exclude FVOCI and deferred tax assets.

5. OTHER GAINS – NET

	2019 ***HK$'000***	2018 *HK$'000*
Gain on disposal of subsidiaries	**–**	1,395
Gain/(loss) on disposal of investment properties	**376**	(46)
Net loss on disposal of property, plant and equipment	**(981)**	(1,049)
Net gain on disposal of right-of-use assets	**1,685**	–
Impairment of right-of-use assets	**(3,397)**	–
Fair value gains on investment properties	**63,172**	35,378
Net foreign exchange loss	**(3,450)**	(1,952)
Others	**2,572**	–
	59,977	33,726

6. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2019 ***HK$'000***	2018 *HK$'000*
Depreciation	**87,568**	28,957
Amortisation of leasehold land and land use rights	**1,565**	1,623
Cost of properties sold	**58,875**	39,645
Provision for obsolete stock	**472**	–
Net (reversal of)/losses on impairment of financial assets	**(357)**	1,889
Stockbroking commission and related expenses	**23,511**	35,219
Staff costs	**249,645**	213,139
Operating lease rental in respect of land and buildings	**393**	52,808
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	**2,900**	2,980
– other auditors	**899**	996
Non-audit services – the Company's auditor	**394**	824

7. TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**12,322**	13,206
Over-provision in previous years	**(836)**	(1,856)
Overseas taxation		
Current	**10,147**	2,623
Under-provision in previous years	**515**	16
Land appreciation tax	**6,993**	3,037
Deferred taxation	**4,162**	(3,645)
Taxation charge	**33,303**	13,381

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$10,618,000 (2018: HK$33,403,000). 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 year.

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 year.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend (2018: Nil) for the year ended 31st December 2019.

10. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Due from stockbrokers and clearing houses	**121,783**	149,463
Due from stockbroking clients	**51,272**	67,982
Trade receivables – others	**31,993**	22,074
	205,048	239,519
Loss allowance	**(14,498)**	(14,813)
	190,550	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 receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**182,285**	221,215
31–60 days	**5,357**	2,808
61–90 days	**2,362**	601
Over 90 days	**546**	82
	190,550	224,706

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Due to stockbrokers and dealers	**123,746**	88,015
Due to stockbroking clients and clearing houses	**1,997,423**	3,244,300
Trade payables	**153,576**	165,985
Total trade payables	**2,274,745**	3,498,300
Contract liabilities	**31,087**	40,857
Accruals and other payables	**164,418**	159,304
	2,470,250	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$1,827,882,000 (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, stockbroking clients and clearing houses as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**127,873**	136,445
31–60 days	**4,957**	4,147
61–90 days	**6,241**	2,169
Over 90 days	**14,505**	23,224
	153,576	165,985

MARKET OVERVIEW

2019 was a complex and challenging year. Global economy was characterized with notably volatility in view of the continuous trade protectionism and geopolitical uncertainties. The Sino-US trade tensions and the Brexit negotiation continued to hamper market sentiment, despite political uncertainties being eased in Italy and Spain. In 2019, the US financial market advanced with all three benchmark indices hit successive record highs, while the European markets rebounded significantly following the same momentum. On the other hand, central banks of major economies successively initiated a fresh round of interest rate cuts. This overshadowed concerns about slowing growth in corporate earnings. Facing the general shrink in the momentum of economic growth, the International Monetary Fund successively lowered its global economic growth forecast.

The financial market of Mainland China was revived with the expectation of a trade deal with the US and continuous fund inflows. However, the general economy was still in the midst of internal cyclical and structural adjustments. According to the latest figures of the National Bureau of Statistics of China, the annual GDP growth rate of China was 6.1% in 2019, indicating a slowing growth momentum. The concerns about slow pace of growth of the Chinese economy as a norm in future hindered the rebound of the financial market.

In 2019, domestic economy in Hong Kong was clouded by the expectation on slow economical growth in major economies. It was further impacted by social conflicts throughout the second half of the year. The financial market, following the global market trends, performed well in the first half of the year. However, with social conflicts becoming more frequent in the middle of the year and worries about corporate earnings, the stock market then fell.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector, Property and Hotel Sector, Medical and Healthcare Sector and Direct Investment Sector. For the year ended 31st December 2019, the Group recorded a net profit and basic earnings per share attributable to shareholders of approximately HK$11 million and HK0.75 cents respectively, as compared with approximately HK$33 million and HK2.35 cents respectively in 2018.

After slides in 2018, the financial markets of major countries rebound in 2019. With uncertainties on trade tensions and concerns about slowdown in economic growth, the financial markets experienced fluctuations in commodity prices and currency rate. Despites interest rate cuts of various central banks, the interest rate in Hong Kong rose in the first half of 2019 and remained relatively high in the second half due to mega IPOs. The financial market in Hong Kong underperformed most major markets in 2019, with Hang Seng Index reached its peak of above 30,000 in April, following a drop by around 20% in August amid reduction on local consumption and investment and increase in political uncertainty.

During 2019, performance of our Financial Services Sector was impeded with the reduction of trading activities and pullback of market risk appetites of our retail margin clients, leading to diminished revenues from brokerage and margin financing business. In view of high market volatility, we continue to improve the credit control on our margin loan portfolio during the reporting year. Despites that, overall reduction in revenue was improved in the second half of 2019, with the increase in underwriting and advisory fee income upon completion of two IPOs on the Main Board by our corporate finance team.

In 2019, the property market in Mainland China as a whole reported stable development, with gradual price rise following relaxation on the control policies and benefited with capital inflows to the Chinese market. Upon completion of the construction work in 2018, and tracking enlarged marketing force implemented in 2019, recognised sales of properties from Huangshan property development project reported strong growth. In addition, with general rise in property prices, the Group has recorded revaluation gain from its investment properties. During 2019, the Group also endeavored to complete the construction of a new 4-star golf hotel in Paris. The soft opening of the golf hotel was held in June 2019, and the significant operating loss recorded at its initial investment stage had partially set off the operating profit of the Property and Hotel Sector.

This year is a challenge year to our Medical and Healthcare Sector. As a new market participant in Hong Kong, the Group aims to provide wide range of medical and healthcare services via its one-stop integrated medical centre in Central Hong Kong. Apart from the provision of general and specialist consultation, imaging, endoscopy and day surgery, body check and medic beauty services, we endeavor to further expand our service scope to rehabilitation and wellness and dental services in 2019. Located in Central and with increase in corporate partners, we reported gradual growth in patient volume. However, operating result was declined with increase in finance costs after recognition of interest expense on lease liabilities upon adoption of the new accounting standard. As a new participant in the industry, we will continue to expand our marketing force and our business cooperation with doctors, medical professionals, insurance companies and business partners so as to enlarge our market penetration.

FINANCIAL REVIEW

For the year ended 31st December 2019, the Group recorded a net profit attributable to shareholders of approximately HK$11 million, representing a decrease of 68% as compared to approximately HK$33 million recorded last year. The reduction on net profit was mainly attributable to the Medical and Healthcare Sector which was affected by the adoption of HKFRS 16 "Leases" (effective from 1st January 2019) resulting in the increase in depreciation charges and finance costs over the related rental expenses. The result was further reduced by recognition of impairment provision on certain right-of-use assets based on value-in-use calculations using cash flow projection and increase in operating costs. On the other hand, performance from our Property and Hotel Sector was improved with the increase in valuation gain arising from property price rise and the increase on sales of property reported from Huangshan property development project. However, the upward impact was partially offset by an one-off accounting loss and reduction in share of profit in 2019 upon disposal of a joint venture and the recognition of operating expenses for a newly opened hotel in Paris. The basic earnings per share attributable to shareholders was HK0.75 cents (2018: HK2.35 cents). Revenue of the Group was approximately HK$534 million, with an increase of 13% as compared to 2018 with the increase in contribution from our medical centre and our property development project in Huangshan. Total net assets of the Group dropped by 2% from approximately HK$2,775 million in 2018 to approximately HK$2,711 million in 2019.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities broking, margin financing, corporate finance, underwriting and placements and asset management. Operating profit reported from Financial Services Sector slightly reduced by 1% from 2018 mainly due to decrease in margin loan interest income and brokerage commission income. The impact was partially offset by improved performance from our corporate finance team, which was able to complete two IPO transactions and thus bringing increase in underwriting and consultancy fee income as compared with 2018.

In 2019, the Hong Kong stock market continued the volatile trends from 2018 while the market turnover dropped as compared to last year. The progress on Sino-US trade war affected the market sentiment throughout the year until US and China reached the "phase one" settlement agreement on trade deal in mid-December. Heng Sang Index reached this year high at 30,280 in mid-April and closed at 28,190 as at year end, representing a raise by 9% as compared to last year. Average daily market turnover dropped 19% from HK$107 billion in 2018 to HK$87 billion in 2019, which align with the drop of brokerage commission income and margin loan interest income of our brokerage business.

Regarding our corporate finance business, we continued to focus on financial advisory cases during the reporting year. In 2019, eleven financial advisory cases and two IPO transactions were completed. Income from advisory services increased by 39% as compared with 2018.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operation. Currently we participate in development of various kinds of properties mainly located at the third and fourth tier cities in Mainland. They include residential, service apartment, commercial office, industrial office, hotel and recreation resort. During 2019, operating profit from Property and Hotel Sector increased by 68% from 2018. The improvement was mainly attributable to the increase in sales of properties from Huangshan property development project following enlarge in marketing force implemented, and the increase in revaluation gains of investment properties held by the Group tracking recovery on general property market. However, the upward impact was partially offset by an one-off accounting loss and reduction in share of profit in 2019 upon disposal of a joint venture and the recognition of operating expenses for a newly opened hotel in Paris.

During 2019, revenue from sale of properties increased by 64% as compared to 2018, mainly generated from recognition of sales of certain properties of Huangshan property development project. In the coming year, we will continue to focus on completion of the existing development projects and the sales of properties in Wuxi and Huangshan.

Our property investment and management business is one of the steady income generators of the Group. It reported a decrease in revenue by 7% during the reporting year which attributable to the re-development plan of the property managed. Investment properties held by the Group reported an increase in fair value gains by 79% as compared to 2018, marked to the general increase in property prices in Mainland.

Hotel and golf operation reported an increase in revenue by 12% in 2019 as compared to 2018. It was mainly attributable to our new golf hotel in Paris which commenced its operation since late June 2019. Meanwhile, the related operating results were dampened after recognition of operating expenses for this newly opened hotel.

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 Mainland. Revenue of the medical centre increased by 42% as compared to 2018. The overall utilization rate was improved though still low during the initial development stage. We will continue to expand our scope of services and improve operation efficiency. Operating loss reported increased by 14% primarily due to the adoption of HKFRS 16 "Leases" (effective from 1st January 2019) which resulted in the increase in depreciation charges and finance costs over the related rental expenses. The result was further reduced by recognition of impairment provision on certain right-of-use assets based on value-in-use calculations using cash flow projection and increase in operating costs.

Direct Investment

Direct Investment Sector reported reduction in operating loss as compared with 2018. It was mainly attributable to various cost reduction measures implemented to non-profit making entities and recovery of long outstanding debts. Focusing our internal resources over the financial services and medical and healthcare business, no new direct investment launched in 2019.

PROSPECTS

Looking ahead in 2020, we expect global and domestic economy will remain sensitive to geopolitical and macroeconomic uncertainties. Trade protectionism and political issues will continue to impede global economic growth. The recent outbreak of COVID-19 brings significant impacts over the world. China will stimulate its economy in 2020, but is unlikely to achieve annual GDP growth of more than 5%. China will accelerate infrastructure projects and this will stimulate the global economy as China imports materials and technology. As much as the world has had to adjust to a loss of global economic momentum now, companies need to be ready for the surge in demand that will come as the COVID-19 crisis passes. Our financial services and the medical and healthcare business are also facing great challenges. However, the Group will remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

Under the volatile market environment, our Financial Service Sector will maintain a cautious and proactive approach regarding the credit control of our margin financing business. We will continue to improve our operational efficiency and internal control system, reinforce market knowledge and customer concerns so as to seize business opportunity in a timely manner under the rapidly changing environment. We shall also pursue to enhance our online trading platform, and widen our product scope and customer base to cope with market demands. Benefited from experienced expertise and sound reputation in the industry, together with the synergies brought forward by full range of financial services offered by the Group including brokerage, asset management, financial advisory, IPO sponsorships and insurance brokerage, we will continue to enhance our service and strengthen our business platform for further development.

Regarding the Medical and Healthcare Sector, we foresee challenges brought by the outbreak of COVID-19 over the coming few months will highly affect general operational conditions and hinder our business development plan. However, crises create opportunities, we are confident that public health awareness will be reinforced in long run, leading to increase in demand in high quality medical and healthcare services. Supported by our caring and professional frontline doctors and clinical staff, we are committed to strengthen our service quality and innovate with new solutions to our patients and clients via committed investment in new technology and platform, including tele-consultation, advanced imaging, endoscopy and day surgery equipments and various healthcare and wellness solutions.

As long term sustainable strategy, we will continue to balance our business growth with dual-engine on both financial services and medical and healthcare industries. We will also continue to look for new direct investment opportunities on both business sectors. With strong market demand for quality and high standard financial services and medical and healthcare services, both from Hong Kong and Mainland China, we are confident with the continuous growth to the Group.

We will also consistently push forward our existing investment strategy to further expand our Direct Investment business. We commit to seek opportunities so as to enlarge our presence in industries with advantage synergies aiming to optimize returns to the Company and its shareholders.

MATERIAL ACQUISITION AND DISPOSAL

On 26th August 2019, the Group entered into an agreement to dispose the Group's 50% equity interest in Shanghai Zhangjiang Property Development Company Limited, a jointly controlled entity, for a cash consideration of approximately RMB200 million. The transaction was approved by shareholders of the Company at an extraordinary general meeting held on 15th October 2019. The Group recorded an accounting loss on disposal of approximately HK$2 million in 2019 and has received the entire sale proceeds in early 2020.

DIVIDEND

The Board does not recommend the payment of a final dividend (2018: Nil) for the year ended 31st December 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 29th May 2020. For details of the annual general meeting, please refer to the notice of annual general meeting which will be published on the Company's website and website of Hong Kong Exchanges and Clearing Limited and will be despatched to all shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25th May 2020 to Friday, 29th May 2020, 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, 22nd May 2020.

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 2019.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31st December 2019, except for the deviation from code provision A.2.1 of the CG Code.

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

The Audit Committee has reviewed the consolidated financial statements for the year ended 31st December 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2019.

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

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

BOARD OF DIRECTORS

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

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

Hong Kong, 27th March 2020