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第一上海

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 2020

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June 2020 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30th June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**194,568**	252,160
Cost of sales		**(90,763)**	(101,807)
Gross profit		**103,805**	150,353
Other (losses)/gains – net	*5*	**(7,527)**	38,558
Selling, general and administrative expenses		**(154,555)**	(157,776)
Operating (loss)/profit	*4 and 6*	**(58,277)**	31,135
Finance income		**22,841**	21,984
Finance costs		**(14,925)**	(15,684)
Finance income – net		**7,916**	6,300
Share of results of a joint venture		**–**	3,828
(Loss)/profit before taxation		**(50,361)**	41,263
Taxation	*7*	**8,614**	(22,627)
(Loss)/profit for the period		**(41,747)**	18,636
Attributable to:			
Shareholders of the Company		**(40,987)**	14,808
Non-controlling interests		**(760)**	3,828
		(41,747)	18,636
(Losses)/earnings per share attributable to shareholders of the Company			
– Basic	*8*	**HK(2.89) cents**	HK1.04 cents
– Diluted	*8*	**HK(2.89) cents**	HK1.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(41,747)**	18,636
Other comprehensive loss		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
– Currency translation differences	**(16,075)**	(7,494)
Items that will not be reclassified to profit or loss		
– Fair value loss on financial assets at fair value through other comprehensive income	**(28,641)**	(19,353)
Other comprehensive loss for the period, net of tax	**(44,716)**	(26,847)
Total comprehensive loss for the period	**(86,463)**	(8,211)
Attributable to:		
Shareholders of the Company	**(84,222)**	(11,676)
Non-controlling interests	**(2,241)**	3,465
	(86,463)	(8,211)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2020 *HK$'000*	Audited 31st December 2019 *HK$'000*
Non-current assets			
Intangible assets		**5,126**	5,126
Property, plant and equipment		**657,050**	679,014
Right-of-use assets		**239,201**	261,935
Investment properties		**650,375**	661,532
Leasehold land and land use rights		**39,937**	41,043
Deferred tax assets		**60,384**	50,949
Financial assets at fair value through other comprehensive income		**68,492**	97,133
Finance lease receivables		**21,967**	12,122
Other non-current prepayments and deposits		**18,106**	17,038
Total non-current assets		**1,760,638**	1,825,892
Current assets			
Inventories		**461,726**	491,571
Loans and advances		**787,560**	1,164,813
Trade receivables	*10*	**553,080**	190,550
Other receivables, prepayments and deposits		**56,824**	276,461
Finance lease receivables		**3,578**	1,821
Tax recoverable		**77**	1,315
Financial assets at fair value through profit or loss		**17**	17
Deposits with banks		**32,843**	11,163
Client trust bank balances		**2,466,549**	1,827,882
Cash and bank balances		**483,300**	216,270
Total current assets		**4,845,554**	4,181,863
Current liabilities			
Trade and other payables	*11*	**3,265,976**	2,470,250
Tax payable		**34,823**	42,382
Lease liabilities		**49,250**	44,041
Borrowings		**158,032**	228,021
Total current liabilities		**3,508,081**	2,784,694
Net current assets		**1,337,473**	1,397,169
Total assets less current liabilities		**3,098,111**	3,223,061

	Note	Unaudited 30th June 2020 HK$'000	Audited 31st December 2019 HK$'000
Non-current liabilities			
Deferred tax liabilities		**87,456**	93,915
Lease liabilities		**242,548**	261,782
Borrowings		**136,298**	149,590
Other non-current liabilities		**6,605**	6,507
Total non-current liabilities		**472,907**	511,794
Net assets		**2,625,204**	2,711,267
Equity			
Share capital		**1,162,940**	1,162,940
Reserves		**1,387,214**	1,471,436
Capital and reserves attributable to the Company's shareholders		**2,550,154**	2,634,376
Non-controlling interests		**75,050**	76,891
Total equity		**2,625,204**	2,711,267

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 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.

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 2019 that is included in the condensed consolidated financial information for the six months ended 30th June 2020 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 2019 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 those 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 26th August 2020.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2020 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 2019, 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 2019, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The Group has early adopted Amendment to HKFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1st January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30th June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions and the impact is relatively insignificant to the Group's results for the period. There is also no impact on the opening balance of the Group's equity at 1st January 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

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 2020 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*
Revenue	**108,605**	**30,613**	**41,934**	**11,186**	**2,230**	**194,568**
Segment results	**28,165**	**5,160**	**(26,980)**	**(44,165)**	**(1,575)**	**(39,395)**
Unallocated net operating expenses						**(18,882)**
Operating loss						**(58,277)**
Finance income – net						**7,916**
Loss before taxation						**(50,361)**

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 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*
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 assets of the Group as at 30th June 2020 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	**4,206,636**	**587,354**	**1,286,971**	**369,302**	**73,644**	**6,523,907**
Tax recoverable						**77**
Deferred tax assets						**60,384**
Corporate assets						**21,824**
Total assets						**6,606,192**

The audited segment assets of the Group as at 31st December 2019 are as follows:

	Audited					
	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	3,292,475	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

5. OTHER (LOSSES)/GAINS – NET

	Unaudited Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/gain on disposal of investment properties	**(128)**	241
Fair value (losses)/gains on investment properties	**(7,016)**	39,378
Loss on disposal of property, plant and equipment	**(15)**	(45)
Net gain on disposal of right-of-use assets	**2,504**	–
Net foreign exchange loss	**(2,872)**	(1,016)
	(7,527)	38,558

6. OPERATING (LOSS)/PROFIT

The following items have been charged and credited to the operating (loss)/profit during the interim period:

	Unaudited	
	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
Depreciation	**46,540**	40,020
Amortisation of leasehold land and land use rights	**756**	790
Net losses on/(reversal of) impairment of financial assets	**2,438**	(731)
Staff costs	**108,256**	111,871

7. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Current	**1,244**	4,838
– Over – provision in previous years	**(122)**	–
Overseas profits tax		
– Current	**2,497**	5,522
– (Over)/under – provision in previous years	**(1)**	6
Land appreciation tax	**2,043**	3,840
Deferred taxation	**(14,275)**	8,421
Taxation (credit)/charge	**(8,614)**	22,627

8. (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 approximately HK$40,987,000 (2019: Group's profit attributable to shareholders of approximately HK$14,808,000). The basic (losses)/earnings per share is based on the weighted average number of 1,418,973,012 (2019: 1,418,973,012) shares in issue during the period.

For the six months ended 30th June 2020 and 2019, diluted (losses)/earnings per share is the same as the basic (losses)/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 2020 (2019: Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2020 ***HK$'000***	Audited 31st December 2019 *HK$'000*
Due from stockbrokers and clearing houses	**465,536**	121,783
Due from stockbroking clients	**83,168**	51,272
Trade receivables – others	**19,607**	31,993
	568,311	205,048
Loss allowance	**(15,231)**	(14,498)
	553,080	190,550

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.

At 30th June 2020 and 31st December 2019, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2020 ***HK$'000***	Audited 31st December 2019 *HK$'000*
0–30 days	**550,799**	182,285
31–60 days	**497**	5,357
61–90 days	**265**	2,362
Over 90 days	**1,519**	546
	553,080	190,550

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2020 *HK$'000*	Audited 31st December 2019 *HK$'000*
Due to stockbrokers and dealers	**36,184**	123,746
Due to stockbroking clients and clearing houses	**2,931,757**	1,997,423
Trade payables	**137,325**	153,576
Total trade payables	**3,105,266**	2,274,745
Contract liabilities	**27,685**	31,087
Accruals and other payables	**133,025**	164,418
	3,265,976	2,470,250

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$2,466,549,000 (31st December 2019: HK$1,827,882,000).

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.

At 30th June 2020 and 31st December 2019, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2020 *HK$'000*	Audited 31st December 2019 *HK$'000*
0–30 days	**116,639**	127,873
31–60 days	**1,240**	4,957
61–90 days	**543**	6,241
Over 90 days	**18,903**	14,505
	137,325	153,576

12. IMPACT OF COVID-19

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions where the Group has operations, resulting in disruption of business activities, especially the performance of the Group's Property and Hotel Sector, and adversely impacted the results of the Group for the period.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the businesses of the Group may be affected for the year ending 31st December 2020. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate impact on the operations and financial position and results of the Group.

MARKET OVERVIEW

In the first half of 2020, the world experienced extreme volatilities due to the widespread of COVID-19 epidemic resulting in significant disruptions in social and economic activities over the world. This global pandemic has led to the most severe economic shock in recent decades. Impacts vary from business to business and country to country including abrupt rise in unemployment, declines in consumer confidence and spending, trade and supply chain disruption, collapse in stock market and crude prices with steep worries in market recession and corporate earnings. Intensifying Sino-US tension and geographic political uncertainty further enlarge market concern on the pace of economic recovery and long term impact to specific industries with particular trade restriction measures imposed, including trading, banking and technologies industries.

The US and European countries encountered prolonged lockdowns since March. Due to the panic sentiment, the US financial market witnessed serious liquidity crisis in March. Major US indices adjusted sharply after hitting the record highs in February amidst the hard hit on economic activities due to rapid spread of COVID-19 over the US and Europe. Nevertheless, with large scale fiscal stimulus and monetary easing by various governments and central banks, the stock market rebounded from its trough on optimism about the stimulus measures and the gradual reopening of the economy. In Chinese Mainland, after imposed rigorous lockdowns by the Central Government in January to stop widespread of COVID-19 over the country, the decline in financial market was moderate compared with oversea markets. However, general worries about economic shocks still overshadowed the market, especially concern about supply chain disruptions with factory shutdown and hindering of consumer demands due to travel bans and continuous trade tensions. Following intensive fiscal policies including the tax and fee reduction and various industry-specific stimulation policies, the marco-economy was underpinned and economic data showed slight upturn. In Hong Kong, the stock market declined as a result of heightened local political uncertainties, and worsening economy suffered from the increasing trade tension and the outbreak of COVID-19. Due to growing concerns on fluctuation in the international markets and political uncertainties, 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 2020, the global financial market remained volatile against concerns on the widespread of COVID-19 and the Sino-US tension. Market was sensitive to the development of the pandemic and pace of economic recovery. The Hong Kong stock market slumped, with Hang Seng Index reached its trough at 21,139 in March. Tracking most overseas markets, it then rebounded, closed at 24,427, following monetary easing measures implemented by major economies. During the reporting period, performance of the Financial Services Sector was benefited with rise in market trading volume leading to increase in overall brokerage commission income, especially on IPO brokerage business. On the other hand, impeded by delay in most corporate and fund raising activities, underwriting and corporate financing business reported unsatisfactory results. During the reporting period, despite the market volatility, the Group endeavored to control quality of our margin loan portfolio. Concerns about market fluctuation, market risk appetites was pullback and average margin loan has been reduced which further hampered revenue generated on margin loan business.

Property and Hotel Sector was the most affected business sector of the Group under the COVID-19 epidemic. For the first half of 2020, with the implementation of stringent prevention and control measures and general travel restrictions all over the world due to the global pandemic, certain hotel and beverage businesses in Wuxi and Paris were shutdown which reported pronounced operating loss since March. The lockdown measures imposed also hindered sales of properties from Huangshan property development project. Salesforce during February to March was suspended. Despites we attempted to maintain sales volume upon reopening of the business activities in Huangshan, reduction in revenue was reported. In addition, suffering from the property price drop, the Group recognized general valuation loss against notable valuation gain reported in the corresponding period of last year.

2020 is a difficult year to our Medical and Healthcare Sector. Although no closure of business encountered, devastated by the COVID-19 epidemic, we have imposed substantive pandemic related hygienic measures which highly affect the operational efficiency. Customer demand on certain medical treatments was hindered with worries about the pandemic. Still undergoing expansion and brand building stage, the pace of development and expansion of customer base was inevitably delayed. The opening of child dental center and cancer center was delayed to the second half of the year. Operating result was slightly declined with reduction on revenue from endoscopy and body check services, despites slightly offset with improvement in physiotherapy and fitness services. 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 six months ended 30th June 2020, the Group reported a net loss and basic losses per share attributable to shareholders of approximately HK$41 million and HK2.89 cents respectively, as compared with a net profit and basic earnings per share attributable to shareholders of approximately HK$15 million and HK1.04 cents respectively reported from the corresponding period of 2019. This loss was attributable to the adverse impact from the worldwide outbreak of COVID-19 in early 2020 which resulted in disruption of business activities, and especially the performance of our Property and Hotel Sector. Operation of the property development projects in Huangshan was suspended by nearly two months, which led to curtailment in sales of properties. Market sentiment was adversely affected by the pandemic. Investment properties recorded fair value loss of HK$7 million during the first half year of 2020 whereas fair value gain of HK$39 million was recorded in corresponding period of 2019. Due to global travel restrictions, quarantine requirements and social protective measures adopted, revenue from hotels in Wuxi and Paris slumped during the reporting period. The performance of the Group was further hindered by the decline in underwriting commission income and margin loan interest income amid to the poor market sentiment and drop in corporate and fund raising activities. Overall result was slightly pulled back by the increase in brokerage commission income tracking boost in market turnover on stock markets. Revenue of the Group was approximately HK$195 million, representing a decrease by 23% over the same period of 2019 tracking reduction of revenue from property sales, hotel operation and underwriting and margin loan business. Total net assets of the Group reported slight decrease by 3% to approximately HK$2,625 million when compared with approximately HK$2,711 million as at 31st December 2019.

Financial Services

The Group's Financial Services Sector includes securities investment, securities broking, margin financing, corporate finance, underwriting and placements, asset management and wealth management. We offer full range of financial services to our customers. For the first half of 2020, the operating profit reported from Financial Services Sector reduced by 23% when compared with the corresponding period in 2019. This was mainly attributable to the drop in underwriting commission income and margin loan interest income. The impact was partially offset by the increase in securities brokerage commission income, especially from IPO brokerage commission.

The Hong Kong stock market was extremely volatile in 2020. Hang Seng Index hit 29,000 in early 2020 as optimistic sentiment continued after the first phrase trade agreement reached between the US and Chinese Mainland in late 2019. The subsequent outbreak of COVID-19 and concerns on over-supply of oil led to dramatic negative sentiment, with general worries on corporate earnings and recession. Hang Seng Index dropped over 25% from this year high to around 21,000 in March 2020, and closed at 24,427, representing a decrease of 14% as compared to the beginning of 2020. In the first half of 2020, the average daily market turnover increased by 20% from HK$98 billion to HK$118 billion. During the reporting period, our brokerage business, tracking the market trend, reported increase in brokerage commission income by 26%. However, border closure after the outbreak of COVID-19 hindered most corporate and fund raising activities, with corresponding commission income decreased. Margin loan interest income was reduced by 11% following a slump in average margin loan size with investors became more risk averse.

Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2020, we have completed six financial advisory cases. In addition, two IPO cases were under processing. Income from advisory services slightly decreased by 2% due to fewer deals completed in the first half of 2020.

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 2020, operating loss of HK$22 million was reported from Property and Hotel Sector as compared with an operating profit of HK$54 million in the corresponding period of last year. This unsatisfactory performance was mainly attributable to the outbreak of COVID-19 which had highly disrupted business activities and undermined market valuation.

For the six months ended 30th June 2020, operating revenue from property development operations dropped by 46% as compared with the corresponding period in 2019 after shutdown of sales activities for nearly two months with our Huangshan property development project which led to curtailment in overall sales volume.

For the six months ended 30th June 2020, operating revenue from property investment and management operations reported slight dropped by 6% as compared with the corresponding period in 2019 with slight reduction on rental occupancy rate. For investment properties held by the Group, valuation loss of HK$7 million was recorded as compared to a valuation gain of HK$39 million in the corresponding period in 2019 due to certain rental reduction of our investment properties.

For the six months ended 30th June 2020, revenue from hotel and golf operations recorded a significant drop by 40% as compared with the corresponding period in 2019. After the global outbreak of COVID-19, hotel industry was deeply hit with cities lock down and massive travel and protective restrictions imposed. Governments' orders to ban social gathering and restaurant dining had hard hit our hotel and beverage operation in Wuxi and Paris, reduction on revenue was reported during the period.

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. For the six months ended 30th June 2020, the medical centre recorded a decrease in revenue by 34% as compared with the corresponding period in 2019. It was mainly attributable to many patients' preference of holding up non-urgent medical check-up during the pandemic. For the six months ended 30th June 2020, operating loss of HK$44 million was reported from Medical and Healthcare Sector, increased by 14% as compared with the corresponding period of last year.

Direct Investment

For the reporting period, Direct Investment Sector recorded slight operation loss. Focusing our internal resources in the medical and healthcare business, there was no new direct investment launched in 2020.

PROSPECTS

Looking ahead, 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. While the trail of the pandemic still remains uncertain, it is premature to predict the recovery timetable of various business sectors at this stage. Nevertheless, tracking the gradual reopening of economic activities in Chinese Mainland and the more steady global economy, the development at the beginning of the second half of 2020 showed some signs of stabilization, leading to a more constructive operating environment and surge in market demand is expected. The Group will continue to focus on recovering revenue, maintain stringent but flexible cost and capital expenditure. The Group will also 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 actively improve our operation efficiency, 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 wealth management, 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 will continue to hinder our business development plan. Nevertheless, we still endeavor to expand the range of medical and healthcare services from the provision of general and specialist consultation, imaging, endoscopy and day surgery, body check, medic beauty, physiotherapy and fitness services, to child dental and cancer treatment in 2020. 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. Located in Central and 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 balance our business growth with dual-engine on both financial services and medical and healthcare industries. With strong market demand for quality and high standard financial services and medical and healthcare services, both from Hong Kong and Chinese Mainland, we are confident with the continuous growth to the Group. We will also consistently push forward our existing investment strategy to operate 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

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2020 (2019: 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 2020 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 2020.

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 2020 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, 26th August 2020