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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2020 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31st December 2020 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	457,988	533,529
Cost of sales		<u>(199,520)</u>	<u>(217,569)</u>
Gross profit		258,468	315,960
Other (losses)/gains – net	5	(23,145)	59,977
Selling, general and administrative expenses		<u>(311,644)</u>	<u>(341,314)</u>
Operating (loss)/profit	6	<u>(76,321)</u>	<u>34,623</u>
Finance income		33,304	42,461
Finance costs		<u>(34,243)</u>	<u>(31,612)</u>
Finance (costs)/income – net		<u>(939)</u>	<u>10,849</u>
Share of results of a joint venture		–	5,553
Loss on disposal of a joint venture		<u>–</u>	<u>(2,137)</u>
(Loss)/profit before taxation		(77,260)	48,888
Taxation	7	<u>(13,564)</u>	<u>(33,303)</u>
(Loss)/profit for the year		<u>(90,824)</u>	<u>15,585</u>
Attributable to:			
Shareholders of the Company		(90,331)	10,618
Non-controlling interests		<u>(493)</u>	<u>4,967</u>
		<u>(90,824)</u>	<u>15,585</u>
(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year			
– Basic	8	<u>HK(6.37) cents</u>	<u>HK0.75 cents</u>
– Diluted	8	<u>HK(6.37) cents</u>	<u>HK0.75 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit for the year	----- (90,824) -----	----- 15,585 -----
Other comprehensive income/(loss)		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Exchange reserve realised upon disposal of a joint venture	–	(3,250)
– Currency translation differences	84,595	(32,532)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value loss on financial assets at fair value through other comprehensive income	<u>(17,810)</u>	<u>(30,025)</u>
Other comprehensive income/(loss) for the year, net of tax	----- 66,785 -----	----- (65,807) -----
Total comprehensive loss for the year	<u>(24,039)</u>	<u>(50,222)</u>
Attributable to:		
Shareholders of the Company	(28,479)	(53,474)
Non-controlling interests	<u>4,440</u>	<u>3,252</u>
	<u>(24,039)</u>	<u>(50,222)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Intangible assets		5,126	5,126
Property, plant and equipment		651,641	679,014
Right-of-use assets		213,598	261,935
Investment properties		703,202	661,532
Leasehold land and land use rights		40,595	41,043
Properties under development		144,339	–
Deferred tax assets		52,568	50,949
Financial assets at fair value through other comprehensive income		79,323	97,133
Finance lease receivables		20,076	12,122
Other non-current prepayments and deposits		<u>15,057</u>	<u>17,038</u>
Total non-current assets		<u>1,925,525</u>	<u>1,825,892</u>
Current assets			
Inventories		355,891	491,571
Loans and advances		990,988	1,164,813
Trade receivables	<i>10</i>	372,305	190,550
Other receivables, prepayments and deposits		61,911	276,461
Finance lease receivables		3,747	1,821
Tax recoverable		7,028	1,315
Financial assets at fair value through profit or loss		24	17
Deposits with banks		23,763	11,163
Client trust bank balances		2,682,142	1,827,882
Cash and bank balances		<u>317,070</u>	<u>216,270</u>
Total current assets		<u>4,814,869</u>	<u>4,181,863</u>
Current liabilities			
Trade and other payables	<i>11</i>	3,329,795	2,470,250
Tax payable		48,686	42,382
Lease liabilities		45,532	44,041
Borrowings		<u>167,325</u>	<u>228,021</u>
Total current liabilities		<u>3,591,338</u>	<u>2,784,694</u>
Net current assets		<u>1,223,531</u>	<u>1,397,169</u>
Total assets less current liabilities		<u>3,149,056</u>	<u>3,223,061</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		91,850	93,915
Lease liabilities		220,770	261,782
Borrowings		142,103	149,590
Other non-current liabilities		6,705	6,507
		<u> </u>	<u> </u>
Total non-current liabilities		<u>461,428</u>	<u>511,794</u>
Net assets		<u>2,687,628</u>	<u>2,711,267</u>
Equity			
Share capital		1,162,940	1,162,940
Reserves		1,442,957	1,471,436
		<u> </u>	<u> </u>
Capital and reserves attributable to the Company's shareholders		2,605,897	2,634,376
Non-controlling interests		81,731	76,891
		<u> </u>	<u> </u>
Total equity		<u>2,687,628</u>	<u>2,711,267</u>

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 2020 and 2019 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 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) and will deliver the consolidated financial statements for the year ended 31st December 2020 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 (“FVPL”), 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

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 year. 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 year. Except for the Amendment to HKFRS 16 set out above, the adoption of other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

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 2020 HK\$'000	Property development 2020 HK\$'000	Property investment and hotel 2020 HK\$'000	Medical and healthcare 2020 HK\$'000	Direct investment 2020 HK\$'000	2020 HK\$'000
Income statement						
Revenue	<u>251,826</u>	<u>69,205</u>	<u>103,352</u>	<u>29,051</u>	<u>4,554</u>	<u>457,988</u>
Segment results	<u>93,120</u>	<u>12,446</u>	<u>(30,491)</u>	<u>(109,873)</u>	<u>(1,945)</u>	<u>(36,743)</u>
Unallocated net operating expenses						<u>(39,578)</u>
Operating loss						<u>(76,321)</u>
Finance costs – net						<u>(939)</u>
Loss before taxation						<u>(77,260)</u>
Balance sheet						
Segment assets	4,223,783	665,875	1,366,855	318,669	86,387	6,661,569
Tax recoverable						7,028
Deferred tax assets						52,568
Corporate assets						<u>19,229</u>
Total assets						<u>6,740,394</u>
Other information						
Depreciation and amortisation	9,031	618	30,927	52,748	722	94,046
Impairment of property, plant and equipment	-	-	15,828	25,991	-	41,819

Note: There were no sales among the operating segments.

	Financial services 2019 <i>HK\$'000</i>	Property development 2019 <i>HK\$'000</i>	Property investment and hotel 2019 <i>HK\$'000</i>	Medical and healthcare 2019 <i>HK\$'000</i>	Direct investment 2019 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income statement						
Revenue	<u>250,798</u>	<u>104,165</u>	<u>139,017</u>	<u>34,942</u>	<u>4,607</u>	<u>533,529</u>
Segment results	<u>90,150</u>	<u>29,793</u>	<u>51,682</u>	<u>(88,257)</u>	<u>(3,366)</u>	80,002
Unallocated net operating expenses						<u>(45,379)</u>
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)	–	–	<u>(2,137)</u>
Profit before taxation						<u>48,888</u>
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						<u>243,844</u>
Total assets						<u>6,007,755</u>
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.

(b) Geographical segments

	Hong Kong 2020 HK\$'000	PRC and others 2020 HK\$'000	2020 HK\$'000
Revenue	<u>277,706</u>	<u>180,282</u>	<u>457,988</u>
Non-current assets*	<u>394,277</u>	<u>1,399,357</u>	<u>1,793,634</u>

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

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

5. OTHER (LOSSES)/GAINS – NET

	2020 HK\$'000	2019 HK\$'000
Gain on disposal of investment properties	322	376
Net loss on disposal of property, plant and equipment	(31)	(981)
Net gain on disposal of right-of-use assets	2,505	1,685
Impairment of property, plant and equipment	(41,819)	–
Impairment of right-of-use assets	(656)	(3,397)
Fair value gains on investment properties	4,233	63,172
Net foreign exchange gain/(loss)	11,781	(3,450)
Others	<u>520</u>	<u>2,572</u>
	<u>(23,145)</u>	<u>59,977</u>

6. OPERATING (LOSS)/PROFIT

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation	94,648	87,568
Amortisation of leasehold land and land use rights	1,552	1,565
Cost of properties sold	39,622	58,875
Provision for obsolete stock	289	472
Net losses on/(reversal of) impairment of financial assets	933	(357)
Stockbroking commission and related expenses	39,213	23,511
Staff costs	222,059	249,645
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,838	2,900
– other auditors	1,132	899
Non-audit services – the Company's auditor	323	394

7. TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong profits tax		
Current	5,613	12,322
Over-provision in previous years	(434)	(836)
Overseas taxation		
Current	2,404	10,147
Under-provision in previous years	1,405	515
Land appreciation tax	14,461	6,993
Deferred taxation	(9,885)	4,162
Taxation charge	13,564	33,303

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 HK\$90,331,000 (2019: Group's profit attributable to shareholders of HK\$10,618,000). 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 year.

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 year.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend (2019: Nil) for the year ended 31st December 2020.

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	242,724	121,783
Due from stockbroking clients	122,761	51,272
Trade receivables – others	<u>22,646</u>	<u>31,993</u>
	388,131	205,048
Loss allowance	<u>(15,826)</u>	<u>(14,498)</u>
	<u><u>372,305</u></u>	<u><u>190,550</u></u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	368,929	182,285
31 – 60 days	1,278	5,357
61 – 90 days	874	2,362
Over 90 days	<u>1,224</u>	<u>546</u>
	<u><u>372,305</u></u>	<u><u>190,550</u></u>

11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Due to stockbrokers and dealers	72,179	123,746
Due to stockbroking clients and clearing houses	2,921,963	1,997,423
Trade payables	<u>172,380</u>	<u>153,576</u>
Total trade payables	3,166,522	2,274,745
Contract liabilities	29,299	31,087
Accruals and other payables	<u>133,974</u>	<u>164,418</u>
	<u>3,329,795</u>	<u>2,470,250</u>

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the 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\$2,682,142,000 (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.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	108,463	127,873
31 – 60 days	6,447	4,957
61 – 90 days	1,473	6,241
Over 90 days	<u>55,997</u>	<u>14,505</u>
	<u>172,380</u>	<u>153,576</u>

MARKET OVERVIEW

In 2020, the outbreak of COVID-19 brought unprecedented challenges to the world. None of us could have envisaged that the impact of the COVID-19 would be so severe, prolonged and widespread. Impacts vary from business to business and country to country including declines in consumer confidence and spending, trade and supply chain disruption, abrupt rise in unemployment, sharp collapse in stock market and crude prices upon steep worries in economic recession and corporate earnings in the first half of 2020. Continuous quarantine or lockdown measures, social and travel restrictions and worries on the pandemic severely depressed global and local economies. Large scale suspension of economic activities has led to drastic risk of rupture in cash flow for wide range of corporations. To ease the impact of the pandemic on the economy, the US Federal Reserve and the European Central Bank cut the interest rates sharply in March and pledged to maintain a relatively long term low interest rate environment. Most governments have also reacted fast to implement accommodative fiscal and monetary stimulus and launched various anti-pandemic and market rescue plans to reduce the pressure of economic recession. In addition, political uncertainties eased after years of worries about the realization of Brexit and the US presidential election. Despite significant drop in major stock indexes in the first quarter of 2020, the global financial markets rebounded strongly with record high marked for numerous countries by the end of the year.

In Chinese Mainland, following the decisive and continuous implementation of lockdown measures and strict restrictions to the movement of people, the spread of pandemic was put under control since the second quarter of 2020. While work and production began to resume, the economy staged an early recovery from the pandemic. In 2020, China is the only country recorded with economic growth among the world's leading economies. Tracking a flexible and neutral monetary policy and weak US dollar, a strong Renminbi was reported with appreciation up to approximately 7%. In Hong Kong, the COVID-19 pandemic has seriously disrupted various economic activities, leading to descend in gross domestic product growth rate and continuous rise in unemployment rate.

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. Due to the severity of pandemic on our business, we are reporting an unfavourable set of financial results for 2020. For the year ended 31st December 2020, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$90 million and HK6.37 cents respectively, as compared with a net profit and basic earnings per share attributable to shareholders of approximately HK\$11 million and HK0.75 cents respectively reported from 2019.

In 2020, the global financial market remained volatile against concerns on the widespread of COVID-19 and the extent of economic recession. 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 27,231, following monetary easing measures implemented by major economies. Notwithstanding the social distancing restrictions, we have enhanced our digital account opening platform and were able to maintain a continuous growth in our client base in 2020. The performance of the Financial Services Sector was benefited with boost in market trading volume and the blooming IPO market, leading to notably increase in overall brokerage commission income and IPO loan interest income. On the other hand, impeded by delay in most corporate activities, underwriting and corporate financing business reported unsatisfactory results. While keeping credit risks under control and concerns about market volatility, average margin loan has been reduced which 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. During 2020, with the implementation of stringent prevention and control measures and travel restrictions all over the world, our hotel and beverage businesses in Wuxi and Paris have to be closed from time to time and reported pronounced operating loss. The lockdown measures imposed also hindered sales of properties from Huangshan property development project. Sales and marketing activities have been adversely affected, especially during the mandatory shutdown period, and this led to reduction in overall operating revenue. In addition, suffering from the poor market sentiment, the Group recognized significant reduction on valuation gain when compared against notable valuation gain reported in last year.

The COVID-19 pandemic had placed substantial pressure on our Medical and Healthcare Sector which is still undergoing brand building and expansion stage. We have adopted a series of substantive pandemic related hygiene and safety measures although these had some impact on our operational efficiency. Customer demand on certain medical treatments, such as health check and non-urgent hospital surgery, had declined with worries about cross infection. The pace of development and expansion of customer base was inevitably delayed. Despite of these, we were able to launch the services of our new child dental center and cancer center during the year. Our operating result had slightly dropped with reduction on revenue from endoscopy and body check services, despite slightly offset with increased patient visits for physiotherapy and fitness services. Following the commencement of full scope of services, we will continue to expand our marketing force and our business cooperation with doctors, medical professionals, insurance companies and business partners so as to improve our operating results.

FINANCIAL REVIEW

For the year ended 31st December 2020, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$90 million and HK6.37 cents respectively, as compared with a net profit and basic earnings per share attributable to shareholders of approximately HK\$11 million and HK0.75 cents respectively reported from last year. The loss was mainly attributable to the reduction on fair value gain on investment properties marked to adverse market sentiment on valuation in view of uncertainties on general sales or rental return. In addition, with the worldwide outbreak of COVID-19, the Group encountered (i) temporary site closure of property sales office in Huangshan; (ii) temporary suspension of hotel operations in Wuxi and Paris as required by the local governments; and (iii) decline in number of patient visits of our medical centre in Central due to temporary drop on demand for certain medical treatments during the pandemic period. Tracking these severe disruptions, and the challenging market outlook, the Group has made non-cash impairment on certain non-current assets of our property and medical businesses. On the other hand, during the reporting year, the Group's performance was slightly improved by our Financial Services Sector, which reported significant increase in brokerage commission income following the boost of overall stock market turnover, even though this impact has been partially off-set with shrink of underwriting and corporate advisory businesses. Revenue of the Group was approximately HK\$458 million, with a decrease of 14% as compared to 2019 tracking the decrease in contribution from property sales, hotel operation, medical and underwriting business. Total net assets of the Group dropped by 1% from approximately HK\$2,711 million in 2019 to approximately HK\$2,688 million in 2020.

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, asset management and wealth management. In 2020, operating profit reported from Financial Services Sector slightly increased by 3% from 2019 attributable to surge of securities brokerage income and IPO loan interest income. The magnitude was pulled back by shrink of underwriting and corporate advisory businesses and reduction on margin loan interest income.

In 2020, Hong Kong stock market was extremely volatile. Hang Seng index recorded its trough in March then noted a strong rebound, tracking to other major overseas markets with flooding of capital inflow to the stock market. On the other hand, long term investors filled up with negative sentiment with concerns about the uncertainties over the impact on global economy arising from the spread of COVID-19 and the Sino-US trade tension. Amid this challenging market outlook, average daily turnover boosted by nearly 50% from HK\$87 billion in 2019 to HK\$129 billion in 2020 which mainly contributed by the IPO market and southbound Stock Connect. Our Financial Services Sector, tracking the market trend and achievement in expansion of client base upon implementation of digital account opening platform, reported surge in overall brokerage commission income by 42%. It was partially offset by the decline in underwriting and placing commission by 97%, impeded by delay in most corporate activities, and the reduction in margin loan interest income of 15% with concerns about market volatility and controls on credit risk exposure.

Regarding our corporate finance business, we continued to focus on financial advisory cases during the reporting year. In 2020, fifteen financial advisory cases and two IPO transactions were completed. In addition, two IPO cases were under processing. Income from advisory services decreased by 40% as compared with 2019.

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 2020, operating loss of HK\$18 million was recorded from Property and Hotel Sector as compared with an operating profit of HK\$81 million in 2019.

During 2020, revenue from sale of properties decreased by 34% as compared to 2019, mainly attributable to reduction on overall property sales volume following the temporary suspension of Huangshan's operation mandatorily required by the local government and the subsequent social distancing measures implemented on sales and marketing activities. 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. Its revenue maintained at similar level as last year. Investment properties held by the Group reported a significant decrease in fair value gains by 93% as compared to 2019, marked to the adverse market sentiment on valuation in view of uncertainties on general sales or rental return.

Hotel and golf operation reported a drop in revenue by 31% in 2020 as compared to 2019. It was mainly attributable to the outbreak of COVID-19 pandemic which badly hit the tourism industry. Business activities were disrupted by either compulsory suspension by local governments or implementation of global travel restrictions and quarantine measures, as well as city lockdown, all these had limited international and domestic travelers. In view of the challenging market outlook on tourism industry in Europe, non-cash impairment provision was made on certain non-current assets for our hotel and golf business in Paris.

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. During 2020, revenue of the medical centre was reduced by 17% as compared to 2019. It was mainly attributable to the disruptions from the pandemic. Medical services, including body check and hospital surgery, offered by our medical centre experienced decline in number of patient visits due to worries about cross infection in clinics. Revenue from body check and services to corporate clients also dropped with price reduction due to keen market competition. Operating loss increased significantly by 24% primarily due to the recognition of a non-cash impairment provision on certain non-current assets.

Direct Investment

During 2020, Direct Investment Sector reported slight operating loss. Focusing our internal resources over the financial services and medical and healthcare business, no new direct investment was made in 2020.

PROSPECTS

In 2021, the outlook of global economy is closely tied with the uncertainties of COVID-19 pandemic. We expect that global travel restrictions, quarantine and safety concerns will continue to deter people from travelling for the foreseeable future and that a full recovery will take several years. Amid the continuous raging of the pandemic and concern on valuations in various overseas markets in early 2021, we expect economic environment will continue to be challenging. Contraction of Hong Kong's economy is expected to continue in the first half of 2021, despite a positive note on the economic growth in the Chinese Mainland. Still we are confident that better times are ahead with the development of vaccines, along with continuing monetary policy support from various central banks and government stimulus on economic recovery. We are cautiously optimistic towards the gradual pick up of cross-border flows and relaxation on pandemic prevention and control measures which adversely hindered business activities. 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 Services Sector will maintain a cautious and proactive approach regarding the credit control of our margin financing business. COVID-19 has accelerated a wave of digital transformation across various business operations. We are committed to continue to invest in digitalization and automation to further enhance our customer experience and operating efficiency. We shall also pursue to widen our product scope and customer base to cope with market demands. We shall continue to actively reinforce market knowledge and listen to the needs of our customers so as to seize business opportunity in a timely manner under the rapidly changing environment. 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 provide quality one-stop medical and healthcare services in our vertical integrated medical centre in the heart of Central. We are confident that public health awareness will be reinforced in long run after the pandemic, 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 equipment 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 from Hong Kong and Chinese Mainland, we are confident with the continuous growth of 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 year, the Group had no material acquisitions, disposals and significant investments.

DIVIDEND

The Board does not recommend the payment of a final dividend (2019: Nil) for the year ended 31st December 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 28th May 2021. 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, 24th May 2021 to Friday, 28th May 2021, 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, 21st May 2021.

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 2020.

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 2020, 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 2020.

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. Except for the non-compliance mentioned below, 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 2020.

It was reported that one of the executive directors of the Company, Mr. LO Yuen Yat, had not complied with Rules A.3 (a)(ii) and B.8 of the Model Code by reason of the dealings in securities of the Company within the black-out period for the 2020 interim results. It was explained that due to inadvertent misunderstanding of the requirements relating to Rule A6 of the Model Code on the part of the said director, a controlled corporation of the director purchased a total of 416,000 shares of the Company during on 30th July, 31st July and 3rd August 2020. The non-compliance was reported by the director to the Company immediately. He undertook that he will comply with the required standards as set out in the Model Code in the future. To prevent similar incidence from happening in the future, the Company has implemented remedial measures including update of the Company's dealing consent form and provisions of special training to the directors regarding their reporting duties in case of major changes of relevant rules or in the Company's shareholding structure which may have implications under 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 "Listed Company Information" and the Company at <http://www.firstshanghai.com.hk> under "Investor Relations – Corporate Announcement – Results Announcements". The 2020 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 four executive directors, being Mr. LO Yuen Yat, Mr. XIN Shulin, Mr. YEUNG Wai Kin and Ms. LAO Yuanyuan, 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 March 2021