

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

### 2023 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 2023 as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue	3	312,875	342,183
Cost of sales		<u>(105,441)</u>	<u>(131,848)</u>
Gross profit		207,434	210,335
Other losses – net	4	(555)	(30,594)
Selling, general and administrative expenses		<u>(269,180)</u>	<u>(276,988)</u>
Operating loss	5	<u>(62,301)</u>	<u>(97,247)</u>
Finance income		104,741	48,142
Finance costs		<u>(36,472)</u>	<u>(15,289)</u>
Finance income – net		<u>68,269</u>	<u>32,853</u>
Profit/(loss) before taxation		5,968	(64,394)
Taxation	6	<u>(15,837)</u>	<u>5,007</u>
Loss for the year		<u>(9,869)</u>	<u>(59,387)</u>
<b>Attributable to:</b>			
Shareholders of the Company		(10,629)	(56,044)
Non-controlling interests		<u>760</u>	<u>(3,343)</u>
		<u>(9,869)</u>	<u>(59,387)</u>
<b>Losses per share for loss attributable to shareholders of the Company during the year</b>			
– Basic	7	<u>HK(0.65) cents</u>	<u>HK(3.58) cents</u>
– Diluted	7	<u>HK(0.65) cents</u>	<u>HK(3.58) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Loss for the year	<u>(9,869)</u>	<u>(59,387)</u>
Other comprehensive loss		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Currency translation differences	<b>6,685</b>	(82,771)
<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	<b>(12,390)</b>	(31,746)
– Currency translation differences	<b>1,690</b>	(6,205)
Other comprehensive loss for the year, net of tax	<u>(4,015)</u>	<u>(120,722)</u>
Total comprehensive loss for the year	<u><b>(13,884)</b></u>	<u>(180,109)</u>
<b>Attributable to:</b>		
Shareholders of the Company	<b>(16,334)</b>	(170,561)
Non-controlling interests	<b>2,450</b>	(9,548)
	<u><b>(13,884)</b></u>	<u>(180,109)</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<b>Non-current assets</b>			
Intangible assets		1,726	2,126
Property, plant and equipment		443,176	471,935
Right-of-use assets		29,128	26,574
Investment properties		601,279	604,704
Leasehold land and land use rights		34,617	36,462
Properties under development		133,695	135,633
Deferred tax assets		175	204
Financial assets at fair value through other comprehensive income		28,214	40,604
Other non-current prepayments and deposits		4,552	1,986
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>1,276,562</b>	1,320,228
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		369,320	355,203
Loans and advances		938,662	1,072,680
Trade receivables	9	257,937	150,217
Other receivables, prepayments and deposits		50,586	59,048
Tax recoverable		7,574	8,330
Financial assets at fair value through profit or loss		7,934	4,262
Deposits with banks		1,112	5,597
Client trust bank balances		2,355,177	2,678,227
Cash and bank balances		340,622	246,997
		<hr/>	<hr/>
		4,328,924	4,580,561
Assets classified as held for sale		11,296	–
		<hr/>	<hr/>
<b>Total current assets</b>		<b>4,340,220</b>	4,580,561
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and other payables	10	2,853,093	3,150,436
Tax payable		40,876	44,741
Lease liabilities		13,278	13,269
Borrowings		135,656	153,597
		<hr/>	<hr/>
		3,042,903	3,362,043
Liabilities classified as held for sale		8,512	–
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>3,051,415</b>	3,362,043
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>1,288,805</b>	1,218,518
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>2,565,367</b>	2,538,746
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

	<i>Note</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>67,997</b>	60,836
Lease liabilities		<b>16,487</b>	14,324
Borrowings		<b>48,321</b>	83,278
Other non-current liabilities		<b>876</b>	838
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>133,681</b>	159,276
		<hr/>	<hr/>
<b>Net assets</b>		<b>2,431,686</b>	2,379,470
		<hr/>	<hr/>
<b>Equity</b>			
Share capital		<b>1,265,591</b>	1,199,345
Reserves		<b>1,100,566</b>	1,116,900
		<hr/>	<hr/>
Capital and reserves attributable to the Company's shareholders		<b>2,366,157</b>	2,316,245
Non-controlling interests		<b>65,529</b>	63,225
		<hr/>	<hr/>
<b>Total equity</b>		<b>2,431,686</b>	2,379,470
		<hr/>	<hr/>

## 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 2023 and 2022 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 2022 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 2023 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.

### (a) New and amended standards adopted by the Group

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and amended HKFRSs which are first effective for the current accounting year of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to HKAS 8, *Definition of Accounting Estimates*
- Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

- Amendments to HKAS 12, *International Tax Reform – Pillar Two Model Rules*
- HKFRS 17 and Amendments to HKFRS 17, *Insurance contracts*
- Amendments to HKFRS 17, *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*

The adoption of these new and amendments to HKFRSs have no material effect on the results and financial positions of the Group for the current and prior accounting periods. Accordingly, no prior period adjustments are required.

The Group has not early applied the new standards and amendments that have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of the impact of these new standards and new amendments but is not yet in a position to determine whether these new standards and amendments would have a material impact on its results of operations and financial position.

**(b) Change in accounting policy on offsetting arrangement in long service payment scheme in the Government of the Hong Kong SAR (the “Government”)**

In June 2022, the Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which will be effective from 1st May 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“MPF Benefits”) of an entity would no longer be eligible to offset against its obligations on long service payment (“LSP”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “Guidance”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a “simple type of contributory plans” to which the Practical expedient had been intended to apply.

Prior to 1st January 2023, the Group accounted for the offsetting mechanism by applying the practical expedient in HKAS 19.93(b). The Group has changed its accounting policy having regard to the Guidance. In applying the requirements in HKAS 19.93(a) following the Guidance and taking into consideration of the two effects of the Amendment Ordinance, management re-measures the projected negative service cost, which represents the deemed employee contributions, over the entire expected service period of the employees and reattribute the net cost of the LSP obligation on a straight-line basis from the date when services by employees first lead to benefits in terms of the LSP legislation, with a catch-up adjustment for past service cost and a corresponding increase in the LSP obligation in the year of enactment of the Amendment Ordinance. The adjustment is recognised as a past service cost in profit or loss in accordance with HKAS 19.94(a) as the Guidance was not contemplated in the original LSP legislation.

The change in accounting policy has been applied by restating the balances as at 31st December 2022, and the results for the year ended 31st December 2022. The abovementioned change in accounting policy does not have any impact to the consolidated balance sheet as at 1st January 2022. The change in accounting policy will also affected certain items in the consolidated income statement for the year ended 31st December 2023 and the consolidated balance sheet as at 31st December 2023. A total profit and loss adjustments of HK\$543,000 and HK\$30,000 were recognised for the year ended 31st December 2022 and 2023 respectively. For details, please refer to the Annual Report of the Group to be issued in April 2024.

### 3. 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
- Other businesses

The Board assesses the performance of the operating segments based on a measure of segment results. 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, the PRC and France. 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 2023 HK\$'000	Property development 2023 HK\$'000	Property investment and hotel 2023 HK\$'000	Other businesses 2023 HK\$'000	2023 HK\$'000
<b>Income statement</b>					
Revenue	<u>156,780</u>	<u>13,862</u>	<u>134,897</u>	<u>7,336</u>	<u>312,875</u>
Segment results	<u>9,154</u>	<u>(18,069)</u>	<u>(10,269)</u>	<u>(722)</u>	<u>(19,906)</u>
Unallocated net operating expenses					<u>(42,395)</u>
Operating loss					<u>(62,301)</u>
Finance income – net					<u>68,269</u>
Profit before taxation					<u>5,968</u>
<b>Balance sheet</b>					
Segment assets	3,844,103	575,041	1,118,967	40,267	5,578,378
Tax recoverable					7,574
Deferred tax assets					175
Assets classified as held for sale					11,296
Corporate assets					<u>19,359</u>
Total assets					<u>5,616,782</u>
<b>Other information</b>					
Depreciation and amortisation	9,325	404	27,510	4,725	41,964
Impairment of property, plant and equipment	–	–	22,916	–	22,916

*Note: There were no sales among the operating segments.*

	Financial services 2022 HK\$'000 (Restated)	Property development 2022 HK\$'000	Property investment and hotel 2022 HK\$'000	Other businesses 2022 HK\$'000 (Restated)	2022 HK\$'000 (Restated)
<b>Income statement</b>					
Revenue	<u>183,501</u>	<u>7,925</u>	<u>134,056</u>	<u>16,701</u>	<u>342,183</u>
Segment results	<u>35,937</u>	<u>(19,809)</u>	<u>(56,996)</u>	<u>(16,267)</u>	<u>(57,135)</u>
Unallocated net operating expenses					<u>(40,112)</u>
Operating loss					<u>(97,247)</u>
Finance income – net					<u>32,853</u>
Loss before taxation					<u>(64,394)</u>
<b>Balance sheet</b>					
Segment assets	4,095,707	566,012	1,144,375	67,808	5,873,902
Tax recoverable					8,330
Deferred tax assets					204
Corporate assets					<u>18,353</u>
Total assets					<u>5,900,789</u>
<b>Other information</b>					
Depreciation and amortisation	9,707	497	28,251	6,226	44,681
Impairment of property, plant and equipment	–	–	9,002	–	9,002

*Note: There were no sales among the operating segments.*

**(b) Geographical segments**

	<b>Hong Kong 2023 HK\$'000</b>	<b>PRC 2023 HK\$'000</b>	<b>France 2023 HK\$'000</b>	<b>2023 HK\$'000</b>
Revenue	<u>160,115</u>	<u>109,024</u>	<u>43,736</u>	<u>312,875</u>
Non-current assets *	<u>98,344</u>	<u>873,253</u>	<u>276,576</u>	<u>1,248,173</u>
	<b>Hong Kong 2022 HK\$'000</b>	<b>PRC 2022 HK\$'000</b>	<b>France 2022 HK\$'000</b>	<b>2022 HK\$'000</b>
Revenue	<u>196,102</u>	<u>91,067</u>	<u>55,014</u>	<u>342,183</u>
Non-current assets *	<u>101,355</u>	<u>878,404</u>	<u>299,661</u>	<u>1,279,420</u>

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



#### 4. OTHER LOSSES – NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain/(loss) on disposal of investment properties	5	(129)
Gain on disposal of a subsidiary	–	32
Net (loss)/gain on disposal of property, plant and equipment	(373)	12,194
Impairment of intangible assets	(400)	–
Impairment of property, plant and equipment	(22,916)	(9,002)
Fair value gains/(losses) on investment properties	20,687	(30,730)
Net foreign exchange gain/(loss)	2,442	(2,959)
	<u>(555)</u>	<u>(30,594)</u>

#### 5. OPERATING LOSS

Operating loss is stated after charging the following:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Depreciation	40,432	43,085
Amortisation of leasehold land and land use rights	1,532	1,596
Cost of properties sold	9,667	6,163
Provision for obsolete stock	–	36
Net losses on impairment of financial assets	4,456	2,325
Stockbroking commission and related expenses	19,633	24,973
Staff costs	203,051	209,701
Charges related to litigation	5,025	5,624
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,305	2,642
– other auditors	907	893
Non-audit services – the Company's auditor	593	111
	<u>593</u>	<u>111</u>

## 6. TAXATION

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Hong Kong profits tax		
Current	<b>3,953</b>	3,879
Over provision in previous years	<b>(59)</b>	(1,178)
Overseas taxation		
Current	<b>1,173</b>	815
Over provision in previous years	<b>(61)</b>	–
Land appreciation tax		
Current	<b>3,035</b>	3,051
Deferred taxation	<b>7,796</b>	(11,574)
Taxation charge/(credit)	<b>15,837</b>	(5,007)

## 7. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of HK\$10,629,000 (2022: HK\$56,044,000 (Restated)). The basic losses per share is based on the weighted average number of 1,643,652,986 (2022: 1,564,545,892) shares in issue during the year.

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

## 8. DIVIDENDS

The Board does not recommend the payment of a final dividend (2022: Nil) for the year ended 31st December 2023.

## 9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	184,730	64,471
Due from stockbroking clients	64,429	78,592
Trade receivables – others	9,261	21,725
	<u>258,420</u>	<u>164,788</u>
Loss allowance	(483)	(14,571)
	<u>257,937</u>	<u>150,217</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	255,655	143,959
31 – 60 days	491	5,270
61 – 90 days	310	46
Over 90 days	1,481	942
	<u>257,937</u>	<u>150,217</u>

## 10. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Due to stockbrokers and dealers	42,631	31,431
Due to stockbroking clients and clearing houses	2,422,342	2,754,995
Trade payables	<u>137,294</u>	<u>147,892</u>
Total trade payables	2,602,267	2,934,318
Contract liabilities	83,886	53,180
Accruals and other payables	<u>166,940</u>	<u>162,938</u>
	<u><u>2,853,093</u></u>	<u><u>3,150,436</u></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\$2,355,177,000 (2022: HK\$2,678,227,000).

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	12,089	7,133
31 – 60 days	2,489	8,500
61 – 90 days	1,465	1,260
Over 90 days	<u>121,251</u>	<u>130,999</u>
	<u><u>137,294</u></u>	<u><u>147,892</u></u>

## **MARKET OVERVIEW**

In 2023, the global economy experienced a mixed performance marked by both positive and challenging trends. Stimulus measures supported consumer spending and business investments, contributing to improved economic indicators. Most financial markets rose in 2023 on hopes for an end to the interest rate hike cycle of major central banks, but the economic growth remained sluggish. Although inflation fell globally, core inflation levels and interest rates remained elevated. There was also significant variability in growth from market to market. Inflationary pressures emerged in some regions, driven by high commodity prices and supply chain disruptions. The wars in Ukraine and the Middle East and the geopolitical tension between the United States and China continued to pose uncertainties, impacting global trade flows and investment decisions.

Following the collapse of the property market in China, there were concerns about the spillover effect on the credit conditions of Mainland banks. Despite some improved macroeconomic indicators in the industrial and service sectors, consumers are still feeling uncertain and overly cautious in their spending on everyday items. Moreover, investor sentiment was affected by a weaker RMB, which once hit a 15-year low in 2023. Nevertheless, the Central Government unveiled policy stimulus to boost the economy. The People's Bank of China lowered the reserve requirement ratio. Sovereign bond issuance was approved to support infrastructure projects. However, the economic outlook remained fragile due to weak consumer confidence, high debt levels, population aging, and slower productivity growth. Structural reforms and stronger consumption growth were highlighted as important for future sustainability.

In Hong Kong, the financial industry faced headwinds from global economic uncertainties and intensified competition from regional financial centers. Furthermore, the real estate market also experienced a slowdown with declining property prices and reduced investment activities. Despite these challenges, Hong Kong's economy showed signs of recovery in 2023, supported by government stimulus measures and easing of social and travel restrictions.

## **BUSINESS OVERVIEW**

The Group adheres to its strategic business model and dedicates its efforts and resources to continue to develop the financial services business and the property and hotel businesses.

In 2023, the Group remained exposed to the challenges of volatile financial market and high-interest rate environment. For the year ended 31st December 2023, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$11 million and HK0.65 cents respectively, representing 80% and 81% decrease compared with the net loss and basic losses per share attributable to shareholders of approximately HK\$56 million and HK3.58 cents respectively reported in 2022.

In 2023, the financial market faced a different set of challenges and continued to experience volatility. Concerns about inflation and the possibility of an economic recession, as well as geopolitical conflicts, weighed on investor sentiment. The liquidity and credit conditions of the property sector in Chinese Mainland and the banking sector turmoil in the United States and Europe also added to market uncertainties. High interest rates and poor market sentiment prompted investors to reallocate from Hong Kong stocks to bank fixed deposits, US treasury bills and overseas stocks. The Hong Kong financial market underperformed major overseas markets with Hang Seng Index falling by 14% and ending at 17,047. The Financial Services Sector, including brokerage and underwriting businesses, was significantly affected by the slowdown in the Hong Kong IPO and secondary market. Reductions in brokerage commission income were reported, although there was a slight increase in margin loan interest income due to ongoing interest rate hikes.

The property and hotel business continued to encounter various uncertainties in 2023. Liquidity concerns continued to cloud the property sector in China. However, our property and hotel business experienced a modest recovery in 2023, primarily due to the easing of pandemic controls and travel restrictions. The sales of property saw a particularly positive impact. However, the operation of our hotel in Paris was suspended for around six months for an urgent repair of the roof. The operation of the hotel resumed in the second half year of 2023 and we anticipate its business will be gradually recovered. Despite the obstacles posed by credit and liquidity risks and the severe conditions of various large property developers, we managed to recognize fair value gains for certain property investment projects.

## **FINANCIAL REVIEW**

### **Overview**

For the year ended 31st December 2023, the Group recorded a net loss attributable to shareholders of approximately HK\$11 million, representing a decrease of 80% as compared to a net loss attributable to shareholders of approximately HK\$56 million recorded last year. The reduction in the Group's net loss in 2023 was mainly attributable to the termination of the operation of the medical centre in 2022 which led to significant cut on operating expenses in 2023. In addition, the Group has reported notable increase in interest income due to interest rate hikes. The Group's performance was also improved with the recognition of fair value gain on certain investment properties in Chinese Mainland, tracking to the resumption of normal economic activities in 2023 after series of cities lockdown during the pandemic, while fair value loss was reported in 2022. However, these impacts were partially mitigated by the decrease in brokerage commission income from Financial Services Sector due to poor market condition and an one-off non-cash impairment on the property, plant and equipment of Property and Hotel Sectors. The basic loss per share attributable to shareholders was HK0.65 cents (2022: HK3.58 cents). Revenue of the Group was approximately HK\$313 million, with a decrease of 8% as compared to 2022, attributable to the decline of revenue from securities broking as well as medical and healthcare business. The total net assets of the Group increased by 2% from approximately HK\$2,380 million in 2022 to approximately HK\$2,432 million in 2023.

## **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 2023, operating profit reported from our Financial Services Sector dropped significantly by 75% as compared with 2022. This was mainly attributable to the decline in brokerage commission income.

During 2023, Hong Kong's economy gradually rebounded from the border reopening due to relaxation of quarantine measures after COVID, nevertheless, it was a challenging year for securities market as the impacts of sustained-high interest rate environment outweighed the boost from border reopening. Investment sentiment remains cautious considering the rising finance costs, slow economic recovery rate and geopolitical tensions. The Hang Seng Index reached its peak of 22,689 in January 2023 and closed at 17,047 at the year end, declined by 14% as compared to 2022. The decline in average daily market turnover by 16% reflected the slowdown of secondary market. Total IPO funds raised also dropped by 56% from HK\$105 billion in 2022 to HK\$46 billion in 2023. As a result, our brokerage commission income decreased by 24%, despite a 5% increase of margin loan interest income, benefiting from the interest rate hikes.

Despite the poor market conditions, our brokerage and corporate finance team had completed six underwriting transactions and eight financial advisory cases. In addition, one IPO case was under processing. Income from advisory services increased by 35% as compared with 2022.

## **Property and Hotel**

The Group's Property and Hotel Sector primarily includes property development, property investment, property management, hotel and golf operation. During the challenging times since the pandemic, the Group focused in managing existing property projects including residential, service apartment, commercial office, industrial office, hotel and recreation resort. The operating loss from Property and Hotel Sector was HK\$28 million in 2023, reduced by 64% from 2022. The improvement was mainly attributable to the increase in revenue from properties sales in Huangshan and fair value gain on investment properties located in Wuxi.

During 2023, revenue from sale of properties increased by 78% as compared to 2022, mainly contributed by the Huangshan project. In the coming year, we will continue to focus on completion of the existing development projects and the sales of the remaining properties in Wuxi and Huangshan.

Our property investment and management business is one of the generators of steady income to the Group. Its cash revenue maintained at similar level as with 2022. In addition, during 2023, investment properties held by the Group reported a net fair value gain of approximately HK\$21 million, compared with a valuation loss reported in 2022. This fair value gain reflected the resumption of business activities after COVID in Wuxi and hence an increase of the expected sales and rental return from the property projects.

Revenue from hotel and golf operation in 2023 remained steady as compared to 2022. Although the Paris hotel was temporarily closed in the first half of 2023 for an urgent repair of the roof, its revenue benefited from the World Rugby Cup held in France during the 4th quarter of 2023.

## **Other Businesses**

The Group's Other Businesses Sector includes medical and healthcare business and direct investment. The operating loss from Other Businesses Sector was HK\$1 million in 2023, improved by 94% as comparing to the operating loss of HK\$16 million from 2022. The improvement was mainly attributable to the termination of the medical centre in 2022 which led to significant cut on operating expenses.

There was no new direct investment project in 2023 as the Group has focused its resources in the development of financial services business.

## **PROSPECTS**

The slowing of inflation in most countries since the second half of 2023 means that monetary tightening now appears to be coming to an end. However, current inflation levels in many economies remain above their targets and the relevant central banks will continue to try to bridge this gap. In 2024, voters will head to the polls in a significant number of countries across the globe. The timing and outcomes of these elections will impact the decision making of governments and have geopolitical, as well as fiscal, implications. The other major challenges include the increased uncertainties due to wars in Europe and the Middle East, and disruption to global supply chains caused by these and attacks on shipping in the Red Sea. Uncertainties persist due to these unresolved geopolitical conflicts, as well as ongoing trade tensions between the United States and China. Inflationary pressure, the decision of interest rate by the US Federal Reserve, and concerns about declining corporate earnings are anticipated to continue hindering the financial market.

Looking ahead, we remain cautiously optimistic about economic prospects for 2024. The Hong Kong financial market will remain largely influenced by external macro factors. The monetary policy stances of major central banks will affect global market performance. The economic outlook and magnitude of policy stimulus in Chinese Mainland will also affect market sentiment in Hong Kong. Chinese Mainland's economic recovery after the pandemic was bumpier than expected, but its economy grew in line with its annual target of around 5% in 2023. We expect this to be maintained in 2024, with recently announced policy measures to support the property sector and local government debt gradually flowing through to the wider economy. Hong Kong's economic growth has moved along at a slower pace and is likely to remain in line with pre-pandemic levels.

We will stay vigilant of the uncertainties on the road to recovery ahead with disciplined cost control and prudent risk management measures. The Group has launched the first fixed income fund in April 2023, and will also focus its resources to further develop the financial services business.

Given the expected volatility in the financial market, a cautious and proactive approach will be maintained regarding risk and credit control in operations and business development. Technological advancements and digital transformation continued to reshape industries. We are committed to actively driving the digitalization and automation of our financial services so as to enhance customer experience and operating efficiency. Additionally, efforts will be made to enrich the product matrix, broaden the customer base, and adapt to market demands. Continuous reinforcement of market knowledge and attentiveness to customer needs will enable the Company to seize business opportunities in a timely manner within the rapidly changing environment.



## **USE OF PROCEEDS OF OPEN OFFER**

On 16th November 2023, the open offer on the basis of two open offer shares for every five shares held on the record date underwritten by China Assets (Holdings) Limited (“China Assets”) was completed and the Company raised net proceeds (after deducting the fees, commission and expenses) from the open offer of approximately HK\$64.7 million, by way of open offer for issue of 625,908,544 new shares at the subscription price of HK\$0.11 per share. As at the date of this announcement, the Company had made use of all the proceeds for (a) repayment of the loan from China Assets of approximately HK\$32.7 million; and (b) financing the further development of the financial service business of approximately HK\$32.0 million, consistent with the use of proceeds as disclosed in the prospectus for the open offer dated 25th October 2023.

## **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 (2022: Nil) for the year ended 31st December 2023.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 24th May 2024. 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 Tuesday, 21st May 2024 to Friday, 24th May 2024, 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 Monday, 20th May 2024.

## **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 2023.

## **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 C1 (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 2023, except for the deviation from code provision C.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 C.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 2023.

## **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 C3 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 2023.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **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 2023 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 five independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao, Mr. ZHOU Xiaohe and Mr. Li Zhiyun.

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

Hong Kong, 25th March 2024