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## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

### 2021 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 2021 as follows:

#### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue	3	<b>529,850</b>	457,988
Cost of sales		<b>(226,385)</b>	(199,520)
Gross profit		<b>303,465</b>	258,468
Other gains/(losses) – net	4	<b>10,990</b>	(23,145)
Selling, general and administrative expenses		<b>(390,310)</b>	(311,644)
Operating loss	5	<b>(75,855)</b>	(76,321)
Finance income		<b>17,696</b>	33,304
Finance costs		<b>(30,179)</b>	(34,243)
Finance costs – net		<b>(12,483)</b>	(939)
Loss before taxation		<b>(88,338)</b>	(77,260)
Taxation	6	<b>(60,660)</b>	(13,564)
Loss for the year		<b>(148,998)</b>	(90,824)
<b>Attributable to:</b>			
Shareholders of the Company		<b>(139,899)</b>	(90,331)
Non-controlling interests		<b>(9,099)</b>	(493)
		<b>(148,998)</b>	(90,824)
<b>Losses per share for loss attributable to</b> <b>shareholders of the Company during the year</b>			
– Basic	7	<b>HK(9.61) cents</b>	HK(6.37) cents
– Diluted	7	<b>HK(9.61) cents</b>	HK(6.37) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(148,998)</u>	<u>(90,824)</u>
Other comprehensive (loss)/income		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
– Exchange reserve realised upon disposal of a subsidiary	(2,345)	–
– Currency translation differences	(4,003)	84,595
<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>(6,973)</u>	<u>(17,810)</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(13,321)</u>	<u>66,785</u>
Total comprehensive loss for the year	<u>(162,319)</u>	<u>(24,039)</u>
<b>Attributable to:</b>		
Shareholders of the Company	(155,496)	(28,479)
Non-controlling interests	<u>(6,823)</u>	<u>4,440</u>
	<u>(162,319)</u>	<u>(24,039)</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		2,126	5,126
Property, plant and equipment		564,406	651,641
Right-of-use assets		22,628	213,598
Investment properties		701,548	703,202
Leasehold land and land use rights		39,453	40,595
Properties under development		148,186	144,339
Deferred tax assets		1,672	52,568
Financial assets at fair value through other comprehensive income		72,350	79,323
Finance lease receivables		–	20,076
Other non-current prepayments and deposits		1,061	15,057
		<u>1,553,430</u>	<u>1,925,525</u>
<b>Total non-current assets</b>		<u>1,553,430</u>	<u>1,925,525</u>
<b>Current assets</b>			
Inventories		356,230	355,891
Loans and advances		1,077,086	990,988
Trade receivables	9	262,584	372,305
Other receivables, prepayments and deposits		76,126	61,911
Finance lease receivables		–	3,747
Tax recoverable		7,515	7,028
Financial assets at fair value through profit or loss		31	24
Deposits with banks		12,231	23,763
Client trust bank balances		3,439,418	2,682,142
Cash and bank balances		328,223	317,070
		<u>5,559,444</u>	<u>4,814,869</u>
<b>Total current assets</b>		<u>5,559,444</u>	<u>4,814,869</u>
<b>Current liabilities</b>			
Trade and other payables	10	4,086,649	3,329,795
Tax payable		53,562	48,686
Lease liabilities		9,911	45,532
Borrowings		207,741	167,325
		<u>4,357,863</u>	<u>3,591,338</u>
<b>Total current liabilities</b>		<u>4,357,863</u>	<u>3,591,338</u>
<b>Net current assets</b>		<u>1,201,581</u>	<u>1,223,531</u>
<b>Total assets less current liabilities</b>		<u>2,755,011</u>	<u>3,149,056</u>

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>80,036</b>	91,850
Lease liabilities		<b>12,478</b>	220,770
Borrowings		<b>103,706</b>	142,103
Other non-current liabilities		–	6,705
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>196,220</b>	461,428
		<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>		<b>2,558,791</b>	2,687,628
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Share capital		<b>1,197,482</b>	1,162,940
Reserves		<b>1,287,461</b>	1,442,957
		<hr/>	<hr/>
Capital and reserves attributable to the Company's shareholders		<b>2,484,943</b>	2,605,897
Non-controlling interests		<b>73,848</b>	81,731
		<hr/>	<hr/>
<b>Total equity</b>		<b>2,558,791</b>	2,687,628
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## 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 2021 and 2020 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 2020 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 2021 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.

### **Changes in accounting policies and disclosures**

The adoption of all new and amended standards that are effective for the first time for the financial year beginning on 1st January 2021 by the Group did not have any material impact on results and financial position of the Group.

### 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
- Medical and healthcare
- Direct investment

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 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 2021 <i>HK\$'000</i>	Property development 2021 <i>HK\$'000</i>	Property investment and hotel 2021 <i>HK\$'000</i>	Medical and healthcare 2021 <i>HK\$'000</i>	Direct investment 2021 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Income statement</b>						
Revenue	<u>304,590</u>	<u>36,436</u>	<u>127,935</u>	<u>56,227</u>	<u>4,662</u>	<u>529,850</u>
Segment results	<u>118,810</u>	<u>(51,334)</u>	<u>(38,142)</u>	<u>(65,912)</u>	<u>998</u>	<u>(35,580)</u>
Unallocated net operating expenses						<u>(40,275)</u>
Operating loss						<u>(75,855)</u>
Finance costs – net						<u>(12,483)</u>
Loss before taxation						<u><u>(88,338)</u></u>
<b>Balance sheet</b>						
Segment assets	4,988,320	583,057	1,311,337	56,986	122,706	7,062,406
Tax recoverable						7,515
Deferred tax assets						1,672
Corporate assets						<u>41,281</u>
Total assets						<u><u>7,112,874</u></u>
<b>Other information</b>						
Depreciation and amortisation	8,995	680	31,101	63,063	469	104,308
Impairment of property, plant and equipment	–	–	–	6,953	–	6,953

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

	Financial services 2020 <i>HK\$'000</i>	Property development 2020 <i>HK\$'000</i>	Property investment and hotel 2020 <i>HK\$'000</i>	Medical and healthcare 2020 <i>HK\$'000</i>	Direct investment 2020 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Income statement</b>						
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>
<b>Balance sheet</b>						
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>
<b>Other information</b>						
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.

**(b) Geographical segments**

	Hong Kong 2021 <i>HK\$'000</i>	PRC and others 2021 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	<u>358,929</u>	<u>170,921</u>	<u>529,850</u>
Non-current assets*	<u>124,161</u>	<u>1,355,247</u>	<u>1,479,408</u>
	Hong Kong 2020 <i>HK\$'000</i>	PRC and others 2020 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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>

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

#### 4. OTHER GAINS/(LOSSES) – NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/gain on disposal of investment properties	(8,648)	322
Gain on disposal of a subsidiary	2,356	–
Net loss on disposal of property, plant and equipment	(75)	(31)
Net gain on lease modification	32,242	2,505
Impairment of intangible assets	(3,000)	–
Impairment of property, plant and equipment	(5,582)	(41,819)
Impairment of right-of-use assets	–	(656)
Fair value (losses)/gains on investment properties	(19,938)	4,233
Net foreign exchange gain	13,635	11,781
Others	–	520
	<u>10,990</u>	<u>(23,145)</u>

#### 5. OPERATING LOSS

Operating loss is stated after charging the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation	104,722	94,648
Amortisation of leasehold land and land use rights	1,651	1,552
Cost of properties sold	25,750	39,622
Provision for obsolete stock	172	289
Net losses on impairment of financial assets	3,316	933
Impairment of property, plant and equipment	1,371	–
Stockbroking commission and related expenses	44,901	39,213
Staff costs	258,224	222,059
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,868	2,838
– other auditors	1,117	1,132
Non-audit services – the Company's auditor	404	323
	<u>258,224</u>	<u>222,059</u>



## 6. TAXATION

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax		
Current	<b>6,998</b>	5,613
Over-provision in previous years	<b>(2,705)</b>	(434)
Overseas taxation		
Current	<b>4,216</b>	2,404
(Over)/under-provision in previous years	<b>(13)</b>	1,405
Land appreciation tax	<b>14,884</b>	14,461
Deferred taxation	<b>37,280</b>	(9,885)
Taxation charge	<b><u>60,660</u></b>	<b><u>13,564</u></b>

## 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\$139,899,000 (2020: HK\$90,331,000). The basic losses per share is based on the weighted average number of 1,456,245,562 (2020: 1,418,973,012) 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 (2020: Nil) for the year ended 31st December 2021.

## 9. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	116,808	242,724
Due from stockbroking clients	138,824	122,761
Trade receivables – others	<u>23,237</u>	<u>22,646</u>
	278,869	388,131
Loss allowance	<u>(16,285)</u>	<u>(15,826)</u>
	<u><u>262,584</u></u>	<u><u>372,305</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	258,531	368,929
31 – 60 days	2,014	1,278
61 – 90 days	550	874
Over 90 days	<u>1,489</u>	<u>1,224</u>
	<u><u>262,584</u></u>	<u><u>372,305</u></u>

## 10. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due to stockbrokers and dealers	8,096	72,179
Due to stockbroking clients and clearing houses	3,659,629	2,921,963
Trade payables	<u>175,446</u>	<u>172,380</u>
Total trade payables	3,843,171	3,166,522
Contract liabilities	42,907	29,299
Accruals and other payables	<u>200,571</u>	<u>133,974</u>
	<u><u>4,086,649</u></u>	<u><u>3,329,795</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\$3,439,418,000 (2020: HK\$2,682,142,000).

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	88,787	108,463
31 – 60 days	2,973	6,447
61 – 90 days	1,486	1,473
Over 90 days	<u>82,200</u>	<u>55,997</u>
	<u><u>175,446</u></u>	<u><u>172,380</u></u>

## **MARKET OVERVIEW**

In 2021, the novel COVID-19 pandemic remained unstable. Major economies around the world continued to implement substantial fiscal stimulus measures to aid economic recovery. The global economy staged an uneven recovery from the pandemic lows, underpinned by varying pace of vaccinations and divergent economic stimulus across countries. Prolonged quarantine or lockdown measures, social and travel restrictions, ongoing geographical tensions and intensifying inflationary pressures further sharpened challenges to corporate growth on all business sectors.

While the US Federal Reserve and the European Central Bank continued to accommodate economic recovery with substantial stimulus measures, the US government enacted to raise remarkable infrastructure spending and most western countries demonstrated with smooth progress in vaccinations. Global market rallies with upward trend in key economic indicators, including consumption and employment rates. Major concerns to the market are the significantly high valuation and the inflation worries amidst supply chain disruptions and rising oil prices.

Amid China's zero-tolerance stance towards COVID-19 in its communities, its GDP reached RMB114.37 trillion in 2021, an increase of 8.1% on a yearly basis. Corporate earnings remained solid with optimism over policy stimulus to boost domestic consumption. Exports have contributed significantly to Chinese productivity over the past two years. However, investor sentiment was exacerbated during the second half of the year, driven by a series of regulatory changes targeted at various sectors and concerns over the property sector. The new regulations made investors worry about their impact on companies' long-term outlook, while the unfolding of property developers' credit events raised concerns about systemic risks within the sector. In Hong Kong, after two successive years of contraction, retail consumption rebounded and employment market recovered, given the continued revival of global economic activity and stable local pandemic situation.

## **BUSINESS OVERVIEW**

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in its core business despite the ongoing disruptions arising from the COVID-19 pandemic, volatilities in global financial markets and intensified regulatory reforms and geopolitical tensions.

In 2021, the cloud of prolonged COVID-19 pandemic restrictions lead to negative repercussions to many business operations of the Group. For the year ended 31st December 2021, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$140 million and HK9.61 cents respectively, representing 56% and 51% increase compared with a net loss and basic losses per share attributable to shareholders of approximately HK\$90 million and HK6.37 cents respectively reported from 2020.

In the first half of 2021, the global financial market remained volatile under the impact of the COVID-19 pandemic, geographical tensions as well as pressure on inflation. Markets continued to be sensitive to the development of the pandemic and pace of economic recovery. The performance of our Financial Services Sector benefited from an upturn in market trading volume and the blooming IPO market, which led to an increase in overall brokerage commission income and IPO and margin loan interest income. In the second half of 2021, however, uncertainties surrounding the Chinese property market, worries about the liquidity and credit conditions on Mainland property developers as well as concerns about regulatory tightening in technology, education and related sectors obscured the financial markets. Brokerage and margin financing businesses were hindered with reduction on risk appetites.

In 2021, the Chinese property market witnessed high volatility throughout the year. In the first half of the year, in light of the rapid recovery of the macro economy and effective control of the pandemic, the selling price and volume in tier-3 and tier-4 cities where the Group with business exposures were relatively stable. However, since the second half of the year, the government regulatory policies and market concerns on liquidity and credit conditions of large property developers adversely affected general property valuation. The projects in Wuxi, in order to speed up the sales of properties, reduced selling prices of properties, and thus resulting in material valuation loss. Performance from property sales was further reduced with drop in sales volume from Huangshan project. Our Hotel Sector was another highly affected business sector under the COVID-19 epidemic. For the first half of 2021, prolonged with stringent prevention and control measures and general travel restrictions in Europe, hotel and beverage businesses in Paris were shutdown thus reported pronounced operating loss, though business was recovered during the summer time.

Our Medical and Healthcare Sector continued to be affected by the COVID-19 pandemic in 2021 but the demand for medical services gradually resumes since March 2021. However, prolonged unsatisfactory operating result over the past few years and the proposed increase in rental by the landlord of our medical centre has exerted much pressure on the performance of the Group. After careful consideration under the current difficult operating environment, we are considering to scale down the operation or even dispose certain business units so as to focus the Group's resources on profitable business segments.

## FINANCIAL REVIEW

### Overview

For the year ended 31st December 2021, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$140 million and HK9.61 cents respectively, as compared to a net loss and basic losses per share attributable to shareholders of approximately HK\$90 million and HK6.37 cents respectively reported from last year. The loss was mainly attributable to (a) recognition of an one-off provision relating to the litigation claim for settlement of certain construction costs of the property development project in Wuxi which was disclosed as contingent liabilities in previous years; (b) accounting for fair value losses on investment properties held in Wuxi and Huangshan due to negative market outlook for future sales and rental return of these properties; and (c) recognition of further impairment provision on non-current assets of the medical and healthcare segment which is facing operation difficulties. On the other hand, during the reporting year, the Group's overall performance was greatly supported by the Financial Services Sector. The financial services business benefited from an upturn in market trading volume and the blooming IPO market in the first half year of 2021, and thus an increase was recorded in overall brokerage commission income and margin loan interest income. Revenue of the Group was approximately HK\$530 million, with an increase of 16% as compared to 2020 tracking the increase in contribution from financial services, hotel operation and medical and healthcare businesses. Total net assets of the Group dropped by 5% from approximately HK\$2,688 million in 2020 to approximately HK\$2,559 million in 2021.

### 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 2021, operating profit reported from our Financial Services Sector increased by 28% from 2020 attributable to surge of securities brokerage income, underwriting commission income and IPO and margin loan interest income.

During the reporting year, Hong Kong stock market remained volatile under the impact of the COVID-19 pandemic, Sino-US trade tension and inflationary pressures caused by supply chain disruptions. Long term investors were filled up with negative sentiment with concerns about the uncertainties over the impact on global economy and their worries further exacerbated during the second half of 2021. Amid this challenging market outlook, average daily market turnover increased by 29% from HK\$129 billion in 2020 to HK\$167 billion in 2021 which was mainly contributed by the active IPO market and trading from southbound Stock Connect in the first half of 2021. Our Financial Services Sector, tracking the market trend, reported surge in overall brokerage commission income by 26% and IPO and margin loan interest income by 12%.

Regarding our corporate finance business, we continued to focus on IPO and financial advisory cases during the reporting year. In 2021, twelve financial advisory cases and one IPO transaction were completed. In addition, two IPO cases were under processing. Income from advisory services decreased by 12% as compared with 2020 with reduction on demand for financial advisory services.

## **Property and Hotel**

The Group's Property and Hotel Sector primarily includes 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 2021, operating loss from Property and Hotel Sector was HK\$89 million, increased significantly from the loss of HK\$18 million in 2020. The loss was mainly attributable to (a) recognition of an one-off provision relating to settlement of the litigation claim on certain construction costs of the property development project in Wuxi which was disclosed as contingent liabilities in previous years, and (b) record of fair value losses on investment properties held in Wuxi and Huangshan due to negative market outlook for future sales and rental return of these properties.

During 2021, revenue from sales of properties decreased by 48% as compared to 2020, mainly attributable to reduction on overall property sales volume due to poor market sentiment and other regulatory policies imposed by the local government. 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 generators of steady income of the Group. Its revenue maintained at similar level as last year. Investment properties held by the Group reported a net fair value loss of approximately HK\$20 million in 2021 as compared to a net fair value gain of approximately HK\$4 million in 2020, mainly caused by the adverse market sentiment on valuation in view of uncertainties on general sales or rental return.

Hotel and golf operation reported an increase in revenue by 26% in 2021 as compared to 2020. It was mainly attributable to resumption of normal operation for the hotel in Paris in May 2021, despite the adverse situation during the winter time.

## **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 2021, revenue of the medical centre improved by 94% as compared to 2020. It was mainly attributable to the increase in revenue from check-up centre with expansion on check-up plans for corporate clients as well as new pre-vaccination body check plans to retail public. However, given the unsatisfactorily performance of this segment in the past years, and the continuous negative impact caused by COVID-19 pandemic, further impairment provision on non-current assets was recognized in 2021, resulting in successive loss (after tax) to this segment.

## **Direct Investment**

During 2021, Direct Investment Sector reported only slight operating gain. This is because we have focused our internal resources over the financial services and medical and healthcare business, and no new direct investment was made in 2021.

## **PROSPECTS**

In 2022, the global financial markets continued to be dominated by volatilities and uncertainties. China is implementing both monetary and fiscal stimulus policies to restore the confidence of consumers and investors and stabilize its economy. On the contrary, the Federal Reserve turns hawkish and multiple interest hikes are expected in 2022 to contain the decades-high inflation. The escalation of Russia-Ukraine conflict adds more risks and volatilities to global financial markets and has started to affect the global supply chains which have already been disrupted by COVID-19. Hong Kong is experiencing the fifth wave of infection which is the most severe resurgence of infected cases since the emergence of COVID-19 since early 2020. Borders between Chinese Mainland and Hong Kong remain under tight control which delays the resumption of growth in tourism related spending and cross border business activities.

Despite of these, the Central Government continues to intensify its efforts to stabilize macroeconomic growth, and to implement proactive fiscal policy and flexible monetary policy. Therefore, we are cautiously optimistic for a gradual improvement of the current situation and a steady development on overall economy in the longer run. The Group will remain attentive to the development and trends to devise means to manage over a variety of risks and uncertainties.

Financial market will continue to be volatile due to the pandemic, geopolitical uncertainties and the intensifying inflation and gradual interest rate hikes. We will maintain a cautious and proactive approach regarding the risk and credit control of our operation and business development. 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 and 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.

It is undeniable that the global economy faces its challenges in recent history due to the COVID-19 pandemic. There are still risks and uncertainties obscuring the Hong Kong market, especially with the recent outbreak of Omicron variant. Looking forward, the Group will continue to adopt diversified strategies with a view to grasping all valuable business opportunities for the Group to advance its business model and to grow in the coming years.



## **SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

Due to the fifth wave of outbreak of COVID-19 in Hong Kong since early 2022, the relevant precautionary and control measures have become stringent. In preparing this set of consolidated financial statements, the Group tested goodwill and property, plant and equipment for impairment and the carrying amount of certain cash-generating units (“CGUs”) exceeds their recoverable amount. Impairment losses on goodwill and property, plant and equipment of HK\$3 million and HK\$7 million have been recognised in the consolidated income statement for the year ended 31st December 2021. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31st December 2021. In the impairment test to be performed in 2022, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered. Up to the date of this announcement, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group. Management will closely and continuously monitor the situation and assess the financial impact to the Group.

## **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 (2020: Nil) for the year ended 31st December 2021.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Friday, 27th May 2022. 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, 23rd May 2022 to Friday, 27th May 2022, 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, 20th May 2022.

## **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 2021.

## **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 2021, 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 2021.

## **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 2021.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31st December 2021 as set out in this final results announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this 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 2021 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, 25th March 2022