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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

2022 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 2022 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	342,183	529,850
Cost of sales		(131,848)	(226,385)
Gross profit		210,335	303,465
Other (losses)/gains – net	4	(30,594)	10,990
Selling, general and administrative expenses		(276,407)	(390,310)
Operating loss	5	(96,666)	(75,855)
Finance income		48,142	17,696
Finance costs		(15,289)	(30,179)
Finance income/(costs) – net		32,853	(12,483)
Loss before taxation		(63,813)	(88,338)
Taxation	6	4,969	(60,660)
Loss for the year		(58,844)	(148,998)
Attributable to:			
Shareholders of the Company		(55,501)	(139,899)
Non-controlling interests		(3,343)	(9,099)
		(58,844)	(148,998)
Losses per share for loss attributable to shareholders of the Company during the year			
– Basic	7	HK(3.55) cents	HK(9.61) cents
– Diluted	7	HK(3.55) cents	HK(9.61) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	<u>(58,844)</u>	<u>(148,998)</u>
Other comprehensive loss		
<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	(82,771)	(4,003)
<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	(31,746)	(6,973)
– Currency translation differences	<u>(6,205)</u>	<u>–</u>
Other comprehensive loss for the year, net of tax	<u>(120,722)</u>	<u>(13,321)</u>
Total comprehensive loss for the year	<u><u>(179,566)</u></u>	<u><u>(162,319)</u></u>
Attributable to:		
Shareholders of the Company	(170,018)	(155,496)
Non-controlling interests	<u>(9,548)</u>	<u>(6,823)</u>
	<u><u>(179,566)</u></u>	<u><u>(162,319)</u></u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		471,935	564,406
Right-of-use assets		26,574	22,628
Investment properties		604,704	701,548
Leasehold land and land use rights		36,462	39,453
Properties under development		135,633	148,186
Deferred tax assets		204	1,672
Financial assets at fair value through other comprehensive income		40,604	72,350
Other non-current prepayments and deposits		1,986	1,061
		<hr/>	<hr/>
Total non-current assets		1,320,228	1,553,430
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		355,203	356,230
Loans and advances		1,072,680	1,077,086
Trade receivables	9	150,217	262,584
Other receivables, prepayments and deposits		59,048	76,126
Tax recoverable		8,292	7,515
Financial assets at fair value through profit or loss		4,262	31
Deposits with banks		5,597	12,231
Client trust bank balances		2,678,227	3,439,418
Cash and bank balances		246,997	328,223
		<hr/>	<hr/>
Total current assets		4,580,523	5,559,444
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Current liabilities			
Trade and other payables	10	3,150,436	4,086,649
Tax payable		44,741	53,562
Lease liabilities		13,269	9,911
Borrowings		153,597	207,741
		<hr/>	<hr/>
Total current liabilities		3,362,043	4,357,863
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Net current assets		1,218,480	1,201,581
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Total assets less current liabilities		2,538,708	2,755,011
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	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		60,836	80,036
Lease liabilities		14,324	12,478
Borrowings		83,278	103,706
Other non-current liabilities		257	–
		<hr/>	<hr/>
Total non-current liabilities		158,695	196,220
		<hr/> <hr/>	<hr/> <hr/>
Net assets		2,380,013	2,558,791
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital		1,199,345	1,197,482
Reserves		1,117,443	1,287,461
		<hr/>	<hr/>
Capital and reserves attributable to the Company's shareholders		2,316,788	2,484,943
Non-controlling interests		63,225	73,848
		<hr/>	<hr/>
Total equity		2,380,013	2,558,791
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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 2022 and 2021 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 2021 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 2022 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 2022 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
- Other businesses

Starting from current year, the Group focuses on the operating decisions and the performance evaluation of three reportable segments which are Financial services, Property development and Property investment and hotel. Medical and healthcare and Direct investment are no longer considered as separate reportable segments and have been aggregated into Other businesses. The change in the basis of internal reports to the chief operating decision maker is to combine segments with similar economic characteristics for the purpose of a more efficient resources allocation and performance assessment. As a result of the above re-alignment, comparative figures presented have also been restated to conform to current year's presentation.

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 2022 <i>HK\$'000</i>	Property development 2022 <i>HK\$'000</i>	Property investment and hotel 2022 <i>HK\$'000</i>	Other businesses 2022 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Income statement					
Revenue	<u>183,501</u>	<u>7,925</u>	<u>134,056</u>	<u>16,701</u>	<u>342,183</u>
Segment results	<u>36,223</u>	<u>(19,809)</u>	<u>(56,996)</u>	<u>(15,972)</u>	<u>(56,554)</u>
Unallocated net operating expenses					<u>(40,112)</u>
Operating loss					<u>(96,666)</u>
Finance income – net					<u>32,853</u>
Loss before taxation					<u>(63,813)</u>
Balance sheet					
Segment assets	4,095,707	566,012	1,144,375	67,808	5,873,902
Tax recoverable					8,292
Deferred tax assets					204
Corporate assets					<u>18,353</u>
Total assets					<u>5,900,751</u>
Other information					
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.

	Financial services 2021 <i>HK\$'000</i>	Property development 2021 <i>HK\$'000</i>	Property investment and hotel 2021 <i>HK\$'000</i>	Other businesses 2021 <i>HK\$'000</i> <i>(Restated)</i>	2021 <i>HK\$'000</i>
Income statement					
Revenue	<u>304,590</u>	<u>36,436</u>	<u>127,935</u>	<u>60,889</u>	<u>529,850</u>
Segment results	<u>118,810</u>	<u>(51,334)</u>	<u>(38,142)</u>	<u>(64,914)</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>(88,338)</u>
Balance sheet					
Segment assets	4,988,320	583,057	1,311,337	179,692	7,062,406
Tax recoverable					7,515
Deferred tax assets					1,672
Corporate assets					<u>41,281</u>
Total assets					<u>7,112,874</u>
Other information					
Depreciation and amortisation	8,995	680	31,101	63,532	104,308
Impairment of property, plant and equipment	–	–	–	6,953	6,953

Note: There were no sales among the operating segments.

(b) Geographical segments

	Hong Kong 2022 <i>HK\$'000</i>	PRC 2022 <i>HK\$'000</i>	France 2022 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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>
	Hong Kong 2021 <i>HK\$'000</i>	PRC 2021 <i>HK\$'000</i> <i>(Restated)</i>	France 2021 <i>HK\$'000</i> <i>(Restated)</i>	2021 <i>HK\$'000</i>
Revenue	<u>358,929</u>	<u>128,443</u>	<u>42,478</u>	<u>529,850</u>
Non-current assets*	<u>124,161</u>	<u>1,010,813</u>	<u>344,434</u>	<u>1,479,408</u>

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

4. OTHER (LOSSES)/GAINS – NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss on disposal of investment properties	(129)	(8,648)
Gain on disposal of a subsidiary	32	2,356
Net gain/(loss) on disposal of property, plant and equipment	12,194	(75)
Net gain on lease modification	–	32,242
Impairment of intangible assets	–	(3,000)
Impairment of property, plant and equipment	(9,002)	(5,582)
Fair value losses on investment properties	(30,730)	(19,938)
Net foreign exchange (loss)/gain	(2,959)	13,635
	<u>(30,594)</u>	<u>10,990</u>

5. OPERATING LOSS

Operating loss is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation	43,085	104,722
Amortisation of leasehold land and land use rights	1,596	1,651
Cost of properties sold	6,163	25,750
Provision for obsolete stock	36	172
Net losses on impairment of financial assets	2,325	3,316
Impairment of property, plant and equipment	–	1,371
Stockbroking commission and related expenses	24,973	44,901
Staff costs	209,120	258,224
Charges related to litigation	5,624	37,007
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	2,642	2,868
– other auditors	893	1,117
Non-audit services – the Company's auditor	111	404
	<u>209,120</u>	<u>258,224</u>

6. TAXATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong profits tax		
Current	3,917	6,998
Over provision in previous years	(1,178)	(2,705)
Overseas taxation		
Current	815	4,216
Over provision in previous years	–	(13)
Land appreciation tax	3,051	14,884
Deferred taxation	(11,574)	37,280
Taxation (credit)/charge	<u>(4,969)</u>	<u>60,660</u>

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\$55,501,000 (2021: HK\$139,899,000). The basic losses per share is based on the weighted average number of 1,564,545,892 (2021: 1,456,245,562) 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 (2021: Nil) for the year ended 31st December 2022.

9. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due from stockbrokers and clearing houses	64,471	116,808
Due from stockbroking clients	78,592	138,824
Trade receivables – others	<u>21,725</u>	<u>23,237</u>
	164,788	278,869
Loss allowance	<u>(14,571)</u>	<u>(16,285)</u>
	<u><u>150,217</u></u>	<u><u>262,584</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	143,959	258,531
31 – 60 days	5,270	2,014
61 – 90 days	46	550
Over 90 days	<u>942</u>	<u>1,489</u>
	<u><u>150,217</u></u>	<u><u>262,584</u></u>

10. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Due to stockbrokers and dealers	31,431	8,096
Due to stockbroking clients and clearing houses	2,754,995	3,659,629
Trade payables	<u>147,892</u>	<u>175,446</u>
Total trade payables	2,934,318	3,843,171
Contract liabilities	53,180	42,907
Accruals and other payables	<u>162,938</u>	<u>200,571</u>
	<u><u>3,150,436</u></u>	<u><u>4,086,649</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\$2,678,227,000 (2021: HK\$3,439,418,000).

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	7,133	88,787
31 – 60 days	8,500	2,973
61 – 90 days	1,260	1,486
Over 90 days	<u>130,999</u>	<u>82,200</u>
	<u><u>147,892</u></u>	<u><u>175,446</u></u>

MARKET OVERVIEW

The global economy was full of uncertainties throughout 2022. Global economic activities were hindered by the heightened geopolitical factors including the outbreak of Russia-Ukraine conflicts and the continuous Sino-US tensions. Influenced by the breakdown of global supply chains and striking energy price, major countries staged a sluggish recovery from the COVID-19 pandemic. In response to the high inflation, the US Federal Reserve accelerated its balance sheet reduction programme and raised its benchmark interest rates seven times in 2022. This had significantly posed a negative impact on the global economy and the performance of most financial markets.

In 2022, the economic and business environment in Chinese Mainland was challenging as it strived to maintain its dynamic zero-COVID status during most periods of the reporting year. Continuous lockdowns, especially in major cities, so as to stamp out outbreaks of the highly transmissible Omicron COVID-19 variant put business activities to a halt. In addition, noting the market worries on industrial credit and liquidity risks and the growing regulatory concerns of the Central Government, the Chinese property sector was hard hit in 2022. The market outlook on the Chinese economy turned with positive momentum after China announced easing of COVID-19 restrictions in November 2022. The economy of Hong Kong in 2022 was seriously affected by the rising interest rates, the fifth wave of COVID-19 infection and the quarantine measures though there were signs of gradual economic recovery since the last quarter of the year with low unemployment rates and gradual recovery of business activities.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in its core businesses, primarily the Financial Services Sector and the Property and Hotel Sector.

In 2022, the cloud of prolonged COVID-19 pandemic restrictions continuously adversely affected most business operations of the Group. For the year ended 31st December 2022, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK\$56 million and HK3.55 cents respectively, representing 60% and 63% decrease compared with a net loss and basic losses per share attributable to shareholders of approximately HK\$140 million and HK9.61 cents respectively reported from 2021.

It was a rare occurrence of the stock market, bond market and foreign exchange market went down simultaneously in 2022. The stock market fell on uncertainties about the global inflationary pressures and the pace of interest rate hikes by the US Federal Reserve. In addition, investors were filled up with concerns about the impact on lingering geopolitical risks and the economic slowdown in the post COVID-19 pandemic period. In China, investor sentiment was also lifted by alleviated worries over the financial conditions of various Chinese property developers and relaxation of pandemic-related restrictions in Chinese Mainland. The Hong Kong market fell amid the economic contraction in Hong Kong and global market correction, with the HSI down 16% while market turnover declined by around 25%. The performance of our Financial Services Sector was significantly affected by the slowdown of trading activities and investors' growing risk aversion with drastic reduction on business activities and market trading volume while IPO market was nearly frozen. During the reporting period, material reduction in brokerage commission income and margin and IPO loan interest income was reported. Hindered by quarantine measures and delay in large scale capital market activities, results from underwriting and corporate financing finance businesses were unsatisfactory as well.

During 2022, our property and hotel business was inevitably affected by the citywide lockdowns and travel curbs, leading to unsatisfactory performance. In early 2022, during the crucial hit by the widespread Omicron, stringent prevention and control measures and general travel restrictions were implemented in Europe while the historically strictest lockdown measures were imposed to certain major cities in Chinese Mainland. As a result, our hotel businesses in Paris and Wuxi reported pronounced operating loss. Fortunately, co-existence approach with the pandemic has become the mainstream of global practice, and our hotel business has witnessed gradual resumption with lifting of most social and travel restrictions since summer in Paris and late 2022 in Chinese Mainland. On the other hand, following general market concerns on credit and liquidity risk and high stock level of certain large property developers, our property development and investment businesses reported significant reduction in revenue from volume sales and increase in fair value loss on our investment properties.

Our Medical and Healthcare Sector was hard hit by the COVID-19 pandemic, especially during the fifth wave of the infection. 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 cash flow position and performance of the Group. After careful consideration under the difficult operating environment, the management has come up with the difficult decision to terminate the operation of the medical centre in April 2022 and sold most of the medical equipment so as to focus the Group's resources on profitable business segments. Thereafter, the Group will maintain the investment in a child dental centre as a long term investment to provide dental care services to the public.

FINANCIAL REVIEW

Overview

For the year ended 31st December 2022, the Group recorded a net loss attributable to shareholders of approximately HK\$56 million, representing a decrease of 60% as compared to a net loss attributable to shareholders of approximately HK\$140 million recorded last year. The significant drops on the Group's net loss in 2022 was mainly attributable to (a) the recognition of an accounting gain on disposal of fixed assets of the medical and healthcare business, (b) the reduction of operation loss from the medical and healthcare business after its closure in April 2022, and (c) no further material provision was required regarding the litigation for settlement of construction costs of the property development project in Wuxi. However, these impacts were partially offset by the decrease in brokerage income and margin loan interest income from Financial Services Sector due to the significant pare down in trading activities, especially during the fifth wave of COVID-19 infection. The Group's performance was also affected by the recognition of fair value losses on investment properties held in Wuxi and Huangshan, tracking to the general negative market outlook for future sales and rental return of these properties. The basic losses per share attributable to shareholders was HK3.55 cents (2021: HK9.61 cents). Revenue of the Group was approximately HK\$342 million, with a decrease of 35% as compared to 2021, attributable to the decline of revenue from securities brokerage income, margin loan interest income, medical and healthcare business and sales of properties. Total net assets of the Group dropped by 7% from approximately HK\$2,559 million in 2021 to approximately HK\$2,380 million in 2022.

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 2022, operating profit reported from our Financial Services Sector decreased significantly by 70% as compared with 2021. This was mainly attributable to the decline in brokerage income and margin and IPO loan interest income.

The performance of the securities market in 2022 was affected by various adverse factors, including rising interest rates and disruptions in the real economy driven by geopolitics and the COVID-19 pandemic. Hang Seng Index reached the year's record high of 25,050 in February 2022, and closed at 19,781 at the year end, representing a decline by 16% as compared to last year. During the reporting year, average daily market turnover decreased by 25% from approximately HK\$167 billion in 2021 to approximately HK\$125 billion in 2022. On the other hand, market competition has intensified during the year with aggressive promotion campaigns launched by some brokers. Our brokerage business reported a decrease in commission income by 46% and drop in IPO and margin loan interest income by 29%.

The continued market fragility and a rising interest rate environment has adversely affected the IPO market. The progress of due diligence of corporate finance projects was affected by the quarantine measures between Hong Kong and the Chinese Mainland. In 2022, our corporate finance team had completed eleven financial advisory cases. In addition, one IPO case was under processing. Income from advisory services decreased by 63% as compared with 2021 in line with the slowdown of capital market.

Property and Hotel

The Group's Property and Hotel Sector primarily includes property development, property investment, property management, hotel and golf operation. The existing property projects include residential, service apartment, commercial office, industrial office, hotel and recreation resort. The operating loss from Property and Hotel Sector was HK\$77 million in 2022, reduced by 14% from 2021. No further material provision was required in 2022 regarding the litigation for settlement of construction costs of the property development project in Wuxi. However, this positive impact was partially offset by the increase in fair value losses on investment properties held in Wuxi and Huangshan and the drop in sales of properties.

During 2022, revenue from sale of properties dropped by 79% as compared to 2021, mainly attributable to reduction on overall property sales volume due to poor market sentiment. 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 to the Group. Its revenue maintained at similar level as with last year. During 2022, investment properties held by the Group reported a net fair value loss of approximately HK\$31 million, representing an increase by 54% when compared with 2021. The said fair value loss was mainly caused by the adverse market sentiment which has affected the expected sales or rental return from the property projects.

Hotel and golf operation reported a slight increase in revenue by 8% in 2022 as compared to 2021. After easing of infection control measures in France, the hotel and golf business in Paris recovered gradually following the resumption of economic activities.

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\$16 million in 2022, declined by 75% from 2021. The improvement was mainly attributable to the recognition of an accounting gain on disposal of fixed assets of the medical and healthcare business.

The Group had terminated the medical and healthcare business and closed the medical centre in Central in April 2022. During 2022, revenue and operation loss of the medical centre dropped by 79% and 78% respectively as compared to 2021.

Other direct investments reported only minor operating loss in 2022. There was no new direct investment project in 2022 as the Group has focused its resources in the financial services business.

PROSPECTS

Looking ahead, with reopening of the borders, we can see some positive momentum to the economic recovery. Major economies worldwide witnessed return to pre-COVID-19 pandemic level in terms of economic activities and disruption on global supply chain is anticipated to be eased gradually. So the global economy is projected to see an upward trend. However, prospects remain uncertain with the unsolved Russia-Ukraine conflicts and the Sino-US tensions. Inflationary pressure, the pace of interest rate hikes by the US Federal Reserve and worries on declining corporate earnings are expected to continue to hinder the financial market. In Chinese Mainland, we expect looser monetary policy and stronger fiscal stimulus measures will be imposed in the post-COVID period. Despite of these, the Central Government continues to intensify its efforts to stabilize local macroeconomic growth, and to implement proactive fiscal policy and flexible monetary policy. We are cautiously confident for gradual improvement to the current market situation and business environment.

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. Of particular note to the wave of digital transformation across various business operations during the pandemic period, we expect the trend will continue in future. Moving forward, the Group will persist to play an active role to drive the digitalization and automation process of our financial services 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 will continue to face its challenges due to the high interest rate environment after the COVID-19 pandemic and the geopolitical tensions. Looking forward, we will stay vigilant of the uncertainties on the road to recovery ahead with disciplined cost control and prudent risk management measures. The Group will further continue to adopt diversified strategies so as to grasp all valuable business opportunities for the Group to advance its business model and to grow in the coming years.

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 (2021: Nil) for the year ended 31st December 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 25th May 2023. 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, 22nd May 2023 to Thursday, 25th May 2023, 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, 19th May 2023.

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 2022.

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 2022, except for the deviation from code provision C.2.1 of the CG Code and the disclosure requirement according to code provision B.2.4 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.

According to code provision B.2.4 of the CG Code, where all the independent non-executive directors of an issuer have served more than nine years on the board, the issuer should, among others, disclose the length of tenure of each existing independent non-executive director on a named basis in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting. The Company failed to disclose in its circular dated 25th April 2022 (the “Circular”) the length of tenure of each existing independent non-executive director, except for those being proposed for re-election during the annual general meeting of the Company dated 27th May 2022. The Company then published a supplemental announcement to the Circular on 29th April 2022 to fulfil the relevant disclosure requirement.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31st December 2022.

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 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of this announcement 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 2022 as set out in the 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 2022 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, 24th March 2023