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FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2022

RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) submits herewith the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30th June 2022 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30th June	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	4	175,337	259,146
Cost of sales		<u>(76,399)</u>	<u>(106,846)</u>
Gross profit		98,938	152,300
Other gains/(losses) – net	5	6,541	(14,870)
Selling, general and administrative expenses		<u>(141,561)</u>	<u>(164,814)</u>
Operating loss	4 and 6	<u>(36,082)</u>	<u>(27,384)</u>
Finance income		10,761	7,252
Finance costs		<u>(6,653)</u>	<u>(18,893)</u>
Finance income/(costs) – net		<u>4,108</u>	<u>(11,641)</u>
Loss before taxation		(31,974)	(39,025)
Taxation	7	<u>(1,416)</u>	<u>7,987</u>
Loss for the period		<u><u>(33,390)</u></u>	<u><u>(31,038)</u></u>
Attributable to:			
Shareholders of the Company		(33,237)	(31,954)
Non-controlling interests		<u>(153)</u>	<u>916</u>
		<u><u>(33,390)</u></u>	<u><u>(31,038)</u></u>
Losses per share attributable to shareholders of the Company			
– Basic	8	<u>HK(2.12) cents</u>	<u>HK(2.25) cents</u>
– Diluted	8	<u>HK(2.12) cents</u>	<u>HK(2.25) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	(33,390)	(31,038)
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	(58,947)	(1,936)
<i>Items that will not be reclassified to profit or loss</i>		
– Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(19,353)	2,316
Other comprehensive loss for the period, net of tax	(78,300)	(1,965)
Total comprehensive loss for the period	(111,690)	(33,003)
Attributable to:		
Shareholders of the Company	(108,266)	(34,857)
Non-controlling interests	(3,424)	1,854
	(111,690)	(33,003)

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2022 <i>HK\$'000</i>	Audited 31st December 2021 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Intangible assets		2,126	2,126
Property, plant and equipment		493,213	564,406
Right-of-use assets		32,248	22,628
Investment properties		664,002	701,548
Leasehold land and land use rights		37,905	39,453
Properties under development		141,673	148,186
Deferred tax assets		2,632	1,672
Financial assets at fair value through other comprehensive income		52,997	72,350
Other non-current prepayments and deposits		707	1,061
		<hr/>	<hr/>
Total non-current assets		1,427,503	1,553,430
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		355,080	356,230
Loans and advances		1,111,492	1,077,086
Trade receivables	<i>10</i>	270,691	262,584
Other receivables, prepayments and deposits		71,047	76,126
Tax recoverable		7,110	7,515
Financial assets at fair value through profit or loss		32	31
Deposits with banks		4,677	12,231
Client trust bank balances		2,760,281	3,439,418
Cash and bank balances		336,240	328,223
		<hr/>	<hr/>
Total current assets		4,916,650	5,559,444
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and other payables	<i>11</i>	3,490,575	4,086,649
Tax payable		52,209	53,562
Lease liabilities		13,504	9,911
Borrowings		159,226	207,741
		<hr/>	<hr/>
Total current liabilities		3,715,514	4,357,863
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current assets		1,201,136	1,201,581
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Total assets less current liabilities		2,628,639	2,755,011
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	Unaudited	Audited
	30th June	31st December
	2022	2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Deferred tax liabilities	75,229	80,036
Lease liabilities	19,662	12,478
Borrowings	84,531	103,706
Other non-current liabilities	253	–
	<u>179,675</u>	<u>196,220</u>
Total non-current liabilities	<u>179,675</u>	<u>196,220</u>
Net assets	<u>2,448,964</u>	<u>2,558,791</u>
Equity		
Share capital	1,199,345	1,197,482
Reserves	1,179,195	1,287,461
	<u>2,378,540</u>	<u>2,484,943</u>
Capital and reserves attributable to the Company's shareholders	2,378,540	2,484,943
Non-controlling interests	70,424	73,848
	<u>2,448,964</u>	<u>2,558,791</u>
Total equity	<u>2,448,964</u>	<u>2,558,791</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

First Shanghai Investments Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operations, medical and healthcare services, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

This unaudited condensed consolidated financial information is presented in Hong Kong dollars, unless otherwise stated.

The financial information relating to the year ended 31st December 2021 that is included in the condensed consolidated financial information for the six months ended 30th June 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the consolidated financial statements for the year ended 31st December 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).
- The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This unaudited condensed consolidated financial information was approved for issue by the Board on 26th August 2022.

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30th June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. This unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2021, as described in those annual financial statements.

- (a) There are no standards, amendments, revisions and interpretations to existing standards that are effective for the first time for this interim period that could be expected to have a material impact on the Group.
- (b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Financial services
- Property development
- Property investment and hotel
- Medical and healthcare
- Direct investment

The Board assesses the performance of the operating segments based on a measure of segment results.

Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash.

The unaudited segment results of the Group for the six months ended 30th June 2022 are as follows:

	Unaudited					<i>HK\$'000</i>
	<i>Financial services HK\$'000</i>	<i>Property development HK\$'000</i>	<i>Property investment and hotel HK\$'000</i>	<i>Medical and healthcare HK\$'000</i>	<i>Direct investment HK\$'000</i>	
Revenue	<u>93,536</u>	<u>7,362</u>	<u>61,373</u>	<u>10,513</u>	<u>2,553</u>	<u>175,337</u>
Segment results	<u>23,215</u>	<u>(8,271)</u>	<u>(17,917)</u>	<u>(13,344)</u>	<u>(1,293)</u>	<u>(17,610)</u>
Unallocated net operating expenses						<u>(18,472)</u>
Operating loss						<u>(36,082)</u>
Finance income – net						<u>4,108</u>
Loss before taxation						<u>(31,974)</u>

Note: There were no sales or other transactions among the operating segments.

The unaudited segment results of the Group for the six months ended 30th June 2021 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Revenue	<u>162,879</u>	<u>16,644</u>	<u>55,447</u>	<u>22,080</u>	<u>2,096</u>	<u>259,146</u>
Segment results	<u>66,940</u>	<u>(2,467)</u>	<u>(33,801)</u>	<u>(39,181)</u>	<u>1,590</u>	<u>(6,919)</u>
Unallocated net operating expenses						<u>(20,465)</u>
Operating loss						<u>(27,384)</u>
Finance costs – net						<u>(11,641)</u>
Loss before taxation						<u>(39,025)</u>

Note: There were no sales or other transactions among the operating segments.

The unaudited segment assets of the Group as at 30th June 2022 are as follows:

	Unaudited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
Segment assets	4,398,064	580,899	1,220,817	30,455	81,972	6,312,207
Tax recoverable						7,110
Deferred tax assets						2,632
Corporate assets						22,204
Total assets						<u>6,344,153</u>

The audited segment assets of the Group as at 31st December 2021 are as follows:

	Audited					HK\$'000
	Financial services HK\$'000	Property development HK\$'000	Property investment and hotel HK\$'000	Medical and healthcare HK\$'000	Direct investment HK\$'000	
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						41,281
Total assets						<u>7,112,874</u>

5. OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
(Loss)/gain on disposal of investment properties	(64)	27
Gain on disposal of a subsidiary	–	2,356
Fair value losses on investment properties	(5,564)	(24,572)
Gain on disposal of property, plant and equipment	12,479	704
Net foreign exchange (loss)/gain	(310)	6,615
	<u>6,541</u>	<u>(14,870)</u>

6. OPERATING LOSS

The following items have been charged to the operating loss during the interim period:

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation	23,008	45,102
Amortisation of leasehold land and land use rights	819	816
Net losses on impairment of financial assets	1,200	244
Staff costs	106,813	125,846
	<u>106,813</u>	<u>125,846</u>

7. TAXATION

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

	Unaudited	
	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	74	3,504
– Under provision in previous years	376	–
Overseas profits tax		
– Current	875	3,404
– Under/(over) provision in previous years	523	(2)
Land appreciation tax	1,672	621
Deferred taxation	(2,104)	(15,514)
	<u>1,416</u>	<u>(7,987)</u>

8. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the Group's loss attributable to shareholders of approximately HK\$33,237,000 (2021: HK\$31,954,000). The basic losses per share is based on the weighted average number of 1,564,316,686 (2021: 1,418,973,012) shares in issue during the period.

For the six months ended 30th June 2022 and 2021, 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 period.

9. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2022 (2021: Nil).

10. TRADE RECEIVABLES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
Due from stockbrokers and clearing houses	148,921	116,808
Due from stockbroking clients	116,995	138,824
Trade receivables – others	19,989	23,237
	285,905	278,869
Loss allowance	(15,214)	(16,285)
	270,691	262,584

All trade receivables are either repayable within one year or on demand. The fair value of the trade receivables is approximately the same as the carrying value.

The settlement terms of receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

At 30th June 2022 and 31st December 2021, the ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 HK\$'000
0–30 days	268,528	258,531
31–60 days	869	2,014
61–90 days	624	550
Over 90 days	670	1,489
	270,691	262,584

11. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 <i>HK\$'000</i>
Due to stockbrokers and dealers	164,886	8,096
Due to stockbroking clients and clearing houses	2,948,995	3,659,629
Trade payables	<u>164,718</u>	<u>175,446</u>
Total trade payables	3,278,599	3,843,171
Contract liabilities	48,734	42,907
Accruals and other payables	<u>163,242</u>	<u>200,571</u>
	<u>3,490,575</u>	<u>4,086,649</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\$2,760,281,000 (31st December 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.

At 30th June 2022 and 31st December 2021, the ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 30th June 2022 HK\$'000	Audited 31st December 2021 <i>HK\$'000</i>
0–30 days	85,354	88,787
31–60 days	993	2,973
61–90 days	532	1,486
Over 90 days	<u>77,839</u>	<u>82,200</u>
	<u>164,718</u>	<u>175,446</u>

MARKET OVERVIEW

Since the outbreak of COVID-19 in early 2020, the global economy has been significantly impacted. During the reporting period, the global economy faces continued volatility and uncertainty, with inflationary pressures and geopolitical tensions being the major challenges. Recession fears grew as a result of unsatisfactory economic data announced during the reporting period. Global supply chain disruptions together with the prolonged Russia-Ukraine conflict leads to significant inflation pressure. In 2022, the US Federal Reserve exited its asset purchase programme and raised its benchmark rate to combat high inflation rate. Mixed fiscal and monetary policy of various countries leads to increase in currency volatility and capital flow. Following the interest rate hikes and balance sheet reductions by major central banks, global equity and debt capital market have seen significant turbulence.

The economic and business environment in Mainland China during the first half of 2022 was challenging as the mainland strived to maintain its dynamic zero-COVID status. 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. The business activities in Hong Kong was seriously affected by the fifth wave of infection. In addition, investor sentiment was exacerbated by the delisting risk of some Mainland American depository receipts (ADRs) in the US and concerns over the credit and liquidity risk from the Chinese property sector. The pace of the Mainland's economic recovery slowdown with GDP growth rate reduced notably, while the local economy in Hong Kong shrank significantly during this strict quarantine and restrictive infection control period.

BUSINESS OVERVIEW

The Group adheres to its strategic business model and dedicates its efforts and resources to accelerating growth in various major business sectors, including Financial Services Sector and Property and Hotel Sector.

The Hong Kong stock market continued the downward trends from 2021. Market sentiment is pessimistic with the massive resurgence of COVID-19 pandemic, the continuous Sino-US trade tension and the pressured inflation at levels unseen in recent years. In 2022, following a double-click attack from the geographical tensions and the local fifth wave of COVID-19 pandemic, the Hong Kong financial market fell amid the global market correction, with Hang Seng Index declined by 6.6%. The performance of our Financial Services Sector was significantly affected by the slowdown of Hong Kong securities market activities and investors' growing risk aversion. The commission and fee income, as well as the margin loan interest income of the Group dropped during the reporting period. Hindered by delay in large scale corporate activities, results from underwriting and corporate finance businesses were unsatisfactory as well.

Our property and hotel business in Mainland China was inevitably affected by the rolling citywide lockdowns and travel curbs. On the other hand, the golf and hotel businesses in Paris is gradually recovering since the first quarter of 2022. Following general concerns on credit and liquidity risk and high stock level of certain large property developers, the Chinese property market also witnessed high volatility during the reporting period. Revenue from sales of property in Huangshan decreased with drop in sales volume. However, overall loss from our Property and Hotel Sector decreased when comparing with 2021 due to the reduction on fair value losses on our investment properties.

Our Medical and Healthcare Sector continued to be affected by the COVID-19 pandemic in 2022, especially during the fifth wave of the pandemic. Prolonged unsatisfactory operating result over the past few years and the proposed increase in rent 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 current difficult operating environment, the management has come up with the decision to terminate the operation of the medical centre in April so as to focus the Group's resources on profitable business segments. We had sold most of the assets in the medical centre to various medical and healthcare service providers in Hong Kong. The Group will maintain the investment in a child dental centre as a long term investment.

FINANCIAL REVIEW

For the six months ended 30th June 2022, the Group reported a net loss attributable to shareholders of approximately HK\$33 million, representing an increase of 4% as compared to the net loss approximately HK\$32 million reported from the corresponding period of 2021. This result was attributable to the decrease in brokerage income and margin loan interest income from Financial Services Sector due to the significant decline in business activities during the fifth wave of COVID-19 pandemic. Furthermore, property and hotel business in Chinese Mainland was dampened because of the rolling citywide lockdowns and travel curbs during the pandemic, and the concern on the liquidity problems of various major property developers. Our medical and healthcare business in Hong Kong was adversely affected during the fifth wave of COVID-19 infection and the execution of the business scale down plan. The overall result was partially offset by the accounting gain on disposal of fixed assets of the medical and healthcare business, which had been materially impaired in previous years. The basic losses per share attributable to the shareholders of the Company was HK2.12 cents. Revenue of the Group was approximately HK\$175 million, representing a decrease of 32% over the corresponding period of 2021, tracking to decline of revenue from securities brokerage income, margin loan interest income, medical and healthcare business and the drop of sales on properties. Total net assets of the Group reported a decrease by 4% to approximately HK\$2,449 million when compared with approximately HK\$2,559 million as at 31st December 2021.

Financial Services

The Group's Financial Services Sector provides a full range of financial services including securities investment, securities brokerage, margin financing, corporate finance, underwriting and placements, asset management and wealth management. For the first half of 2022, the operating profit reported from Financial Services Sector decreased by 65% when compared with the corresponding period in 2021. This was mainly attributable to the decline of brokerage income and margin and IPO loan interest income.

Hang Seng Index dropped from this year high to 25,050 in February 2022, and closed at 21,860. In the first half of 2022, the average daily market turnover decreased by 17% from approximately HK\$167 billion to approximately HK\$138 billion. On the other hand, market competition has intensified during the period with aggressive promotion campaigns launched by some brokers. During the reporting period, our brokerage business, tracking the market trend, reported a decrease in commission income by 48% and decrease in IPO and margin loan interest income by 38%. Nevertheless, we managed to complete one large underwriting transaction in the second quarter of 2022. Our corporate finance team continued to focus on IPO and financial advisory deals during the reporting period. For the six months ended 30th June 2022, despite the adverse market sentiment, we have completed four financial advisory cases while two IPO cases were under processing. Income from advisory services increased by 8% as compared with the corresponding period in 2021.

Property and Hotel

The Group's Property and Hotel Sector primarily involves in property development, property investment, property management, hotel and golf operations. Currently we participate in development of various kinds of properties, mainly located at the third and fourth tier cities in Chinese Mainland. They include residential, service apartment, commercial office, industrial office, hotel and recreation resort. For the six months ended 30th June 2022, operating loss of HK\$26 million was reported from Property and Hotel Sector, decreased by 28% when compared with the corresponding period in 2021. This improvement was mainly attributable to the reduction on record of fair value losses on investment properties held in Wuxi and Huangshan during the reporting period.

For the six months ended 30th June 2022, operating revenue from property development operations dropped by 56% as compared with the corresponding period in 2021 tracking to slow down of properties sales in Huangshan.

For the six months ended 30th June 2022, operating revenue from property investment and management operations reported raised by 11% as compared with the corresponding period in 2021 with continuous increase in rental occupancy rate since the second half of 2021. For investment properties held by the Group, valuation loss dropped by 77% from HK\$25 million to HK\$6 million.

For the six months ended 30th June 2022, revenue from hotel and golf operations recorded an increase of 16% as compared with the corresponding period in 2021. After easing of infection control measures in France, hotel and golf business in Paris was slightly recovered after the resumption of economic activities.

Medical and Healthcare

The Group terminated the medical and healthcare business and closed the medical centre in Central in April 2022. For the six months ended 30th June 2022, the revenue from medical centre recorded a decrease of 52% as compared with the corresponding period in 2021. This unsatisfactory performance was mainly attributable to the fifth wave of infection and the business scale down plan.

For the six months ended 30th June 2022, operating loss of HK\$13 million was reported from Medical and Healthcare Sector, decreased by 66% as compared with the corresponding period in 2021. The deduction of loss was mainly caused by the accounting gain on disposal of fixed assets of the medical centre, which had been materially impaired in previous years.

Direct Investment

For the reporting period, Direct Investment Sector recorded slight operation loss. Focusing our internal resources in the financial services business, there was no new direct investment launched in 2022.

PROSPECTS

Looking ahead, with gradual relaxation on quarantine restrictions, we can see some positive momentum to the economic recovery. Major economies worldwide gradually returned to pre-COVID-19 pandemic economic activity levels, and the global economy anticipated to improve slightly in the beginning of the second half of 2022. However, prospects remain uncertain with the unsolved Russia-Ukraine conflicts and the Sino-US tensions. Inflationary pressure, disruption on global supply chain and worries on declining economic growth are expected to continue to hinder the global economy. In Chinese Mainland, we expect looser monetary policy and stronger fiscal stimulus measures will come into play as COVID restriction ease in the coming months. 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, 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 pandemic has accelerated a wave of digital transformation across various business operations. Moving forward, the Group will allocate more resources 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 faces its challenges due to the COVID-19 pandemic and 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 period, the Group had no material acquisitions, disposals and significant investments.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2022 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the code provisions and recommended best practices as stipulated in Appendix 14 (the "CG Code") of the Listing Rules throughout the period, except for the deviation from code provision 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 25 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 27 May 2022. The Company then published a supplemental announcement to the Circular on 29 April 2022 to fulfil the relevant disclosure requirement.

Nomination Committee

The Nomination Committee was established on 1st March 2012. The Nomination Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Nomination Committee was set up to assist the Board to review the structure, size, composition and diversity of the Board, identify individuals and make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

Remuneration Committee

The Remuneration Committee was established on 30th June 2005. The Remuneration Committee comprises three independent non-executive directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe and an executive director, Mr. LO Yuen Yat. The Remuneration Committee was set up to assist the Board to establish a coherent remuneration policy and to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

Audit Committee

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and the four independent non-executive directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee was set up to ensure proper financial reporting, risk management and internal control systems are in place and follow.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters, including a review of the unaudited consolidated interim results for the six months ended 30th June 2022 for approval by the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30th June 2022.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE

This announcement of interim results is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Listed Company Information” and the Company at <http://www.firstshanghai.com.hk> under “Investor Relations – Corporate Announcement – Results Announcements”. The 2022 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Listed Company Information” and the Company at <http://www.firstshanghai.com.hk> under “Investor Relations – Interim and Annual Report” in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, being Mr. LO Yuen Yat, Mr. XIN Shulin, Mr. YEUNG Wai Kin and Ms. LAO Yuanyuan, one non-executive director, Mr. KWOK Lam Kwong, Larry, *S.B.S., J.P.* and four independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe.

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

Hong Kong, 26th August 2022