



# FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

## ANNOUNCEMENT OF 2002 INTERIM RESULTS

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the “Group”) for the six months ended 30th June 2002 together with comparative figures for the corresponding period last year as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended 30th June</b>	
	Note	<b>2002</b>	2001
		<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<i>1</i>	<b>79,836</b>	183,068
Cost of sales		<b>(45,359)</b>	(150,795)
Gross profit		<b>34,477</b>	32,273
Other revenue		<b>2,537</b>	4,796
Distribution costs		<b>(29)</b>	(19)
Administrative expenses		<b>(36,217)</b>	(34,390)
Other operating expenses		<b>(1,253)</b>	(5,163)
Other operating income		<b>9,931</b>	26,307
Operating profit	<i>1 and 2</i>	<b>9,446</b>	23,804
Finance costs		<b>(142)</b>	(111)
Share of profits less losses of			
Associated companies		<b>11,351</b>	11,164
Jointly controlled entities		<b>20,549</b>	18,898
Profit before taxation		<b>41,204</b>	53,755
Taxation	<i>3</i>	<b>(7,540)</b>	(7,147)
Profit after taxation		<b>33,664</b>	46,608
Minority interests		<b>(659)</b>	(1,228)
Profit attributable to shareholders		<b>33,005</b>	45,380
Basic earnings per share	<i>4</i>	<b>2.92 cents</b>	4.07 cents
Fully diluted earnings per share	<i>4</i>	<b>2.88 cents</b>	4.01 cents

**Notes:****1. Segment information**

An analysis of the Group's turnover and contribution to operating profit for the period by principal activities and geographical locations is as follows:

	<b>Turnover Unaudited</b>		<b>Contribution to operating profit Unaudited</b>	
	<b>Six months ended 30th June</b>		<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Primary reporting format – business segments</b>				
Securities trading and investment	23,705	140,005	(2,751)	11,206
Container transportation and freight forwarding services	22,164	23,887	1,685	3,175
Corporate finance and stockbroking	33,529	18,089	14,162	3,773
Investment holding, property holding and management	438	1,087	(6,187)	854
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue – interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u>9,446</u>	<u>23,804</u>

There are no sales or other transactions between the business segments.

**Secondary reporting format - geographical segments**

The Group operates in two main geographical areas:

- |                  |   |  |
|------------------|---|--|
| Hong Kong        | – | Securities trading and investment, corporate finance and stockbroking, and investment holding, property holding and management |
| Chinese Mainland | – | Investment holding, container transportation and freight forwarding services   |

	<b>Turnover Unaudited</b>		<b>Contribution to operating profit Unaudited</b>	
	<b>Six months ended 30th June</b>		<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	57,259	158,731	5,002	6,986
Chinese Mainland	22,345	24,239	2,507	11,624
Others	232	98	(600)	398
	<u>79,836</u>	<u>183,068</u>	<u>6,909</u>	<u>19,008</u>
Other revenue - interest income			<u>2,537</u>	<u>4,796</u>
Operating profit			<u>9,446</u>	<u>23,804</u>

There are no sales between the geographical segments.



## **OPERATION REVIEW**

For the six months ended 30th June 2002, the Group recorded a profit attributable to shareholders of HK\$33 million, representing a 27% decline from the corresponding period last year. The decline in profit is mainly due to the lessening of the gain on disposal of investments. In consideration of the negative economic growth and rising unemployment rate in Hong Kong, and increasing incidents of corporate malfeasance in the US, the management adopted a more conservative strategy in securities trading and investment business. As a result, the Group's turnover reduced to HK\$80 million from HK\$183 million of the same period last year.

The corporate finance and stockbroking business achieved a remarkable growth in both turnover and operating profit. Despite the depressed market conditions, 62 new companies joined the Main Board or GEM in the first half of 2002. The Corporate Finance Division continued to play an active role in assisting small to medium size companies to obtain listing position in Hong Kong. During the period under review, the Division had already completed four sponsorships of IPO.

Notwithstanding the keen competition in Chinese Mainland and the slowdown in global economy, Goodbaby Child Products Company Limited ("Goodbaby") still maintained its leading position in the child products market and recorded a slightly increase in both turnover and profit attributable to shareholders in the period.

Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") remains profitable in the period. The freight forwarding business keeps on growing in a general pace, however, the price competition in the container transportation market pulled down the overall performance of ZCIC.

The investee companies of China Assets (Holdings) Limited ("China Assets") have stable performance during the six months ended 30th June 2002. China Assets is still negotiating with the Shenzhen Municipal Government for solving the cross guarantee problem triggered by the parent company of Shenzhen SPEC Plastics Holdings Co., Ltd. China Assets had made a partial provision for potential loss that might arise from this investment.

Despite the pressure of increasing labour cost in Chinese Mainland, RBI Holdings Limited achieved a healthy growth in both turnover and profit attributable to shareholders through the continuous development of innovative items to fulfill customers' demanding requests.

## **PROSPECTS**

Negative economic growth, continued deflationary pressure and rising unemployment rate in Hong Kong are likely to weaken investor sentiment and confidence. Significant declines in most equity markets evidenced the unfavourable environment for the corporate finance and stockbroking business. Following China's accession to the WTO, more enterprises from Chinese Mainland are planning to raise capital by listing in Hong Kong. Our Financial Services Division will utilise our strengths and experiences in serving more small to medium size PRC enterprises to go listing in the second half year.

As the economy in Chinese Mainland is growing steadily, we believed that the various investments in Chinese Mainland will continue contributing a stable and reasonable returns to the Group. Goodbaby has appointed a sponsor and it is expected to be listed in Hong Kong in the first half of 2003.

China Assets will still put effort to find an exit for its existing investments. Negotiation for early disposal of the investment in the two toll roads in Zhongshan has reached the final stage and it is likely to complete within the year.

The development of a four-star hotel in Kunshan Economy & Technology Development District is commenced in the year and it is expected to be completed at the end of 2004. In May 2002, the Group appointed Shangri-La International Hotel Management Limited as the hotel manager to manage and operate the hotel. We are confident that when the hotel comes to operate in future, it will contribute a steady return and cash flow to the Group.

In view of the rising importance of China to the global economy, we strongly believe the Group's business strategy of seeking opportunities to acquire high-potential projects in Chinese Mainland will improve the performance of the Group and ultimately enhance the return to shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

Profit attributable to shareholders for the six months ended 30th June 2002 was HK\$33 million, a decrease of 27% over the same period in 2001. Basic earnings per share decreased to HK2.92 cents, down 28%.

Turnover of the Group for the period under review decreased by 56% to HK\$80 million as compared to HK\$183 million for the same period last year.

## Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. As at 30th June 2002, the Group has a strong financial position with approximately HK\$294 million cash reserves and a gearing ratio (total liabilities excluding minority interests to shareholders' fund) of 6%. Investment in marketable securities as at 30th June 2002 amounted to approximately HK\$29 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi.

The Group has no significant exposure to foreign exchange fluctuations.

## Employees

As at 30th June 2002, the Group employed 478 staff (30th June 2001: 489), of which 407 are located in Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary. The staff cost for the six months ended 30th June 2002 amounted to approximately HK\$24 million.

## Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$94 million as at 30th June 2002 (31st December 2001: HK\$95 million) as well as fixed deposits of HK\$15 million (31st December 2001: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2001: HK\$120 million) granted to the Group.

## Contingent liabilities

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Discounted bills	1,078	1,384
The Group's share of contingent liabilities of an associated company:		
Guarantee for loans	<u>12,200</u>	<u>16,960</u>

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited interim accounts for the six months ended 30th June 2002 approved by the directors.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the period, except that the independent non-executive directors of the Company are not appointed for specific terms and are subject to re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

## PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website (<http://www.hkex.com.hk>) on or before 30th September 2002.

By order of the Board  
**LAO Yuan Yi**  
*Chairman and Managing Director*

Hong Kong, 13th September 2002

Please also refer to the published version of this announcement in the Standard.