



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

2001 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the "Group") for the year ended 31st December 2001 as follows:

	Note	2001 HK\$	2000 HK\$
Turnover	1	298,331,527	289,810,334
Cost of sales		(249,232,710)	(225,457,238)
Gross profit		49,098,817	64,353,096
Other revenue		8,962,528	15,673,547
Distribution costs		(68,200)	(1,693,127)
Administrative expenses		(74,946,109)	(64,246,138)
Other operating expenses		(8,183,117)	(7,174,612)
Other operating income		42,320,962	13,871,565
Operating profit	1 & 2	17,184,881	20,784,331
Bank interest expenses		(260,603)	(377,398)
Share of profits less losses of			
Associated companies		31,520,305	25,663,173
Jointly controlled entities		29,517,397	27,500,604
Profit before taxation		77,961,980	73,570,710
Taxation	3	(11,821,386)	(12,611,588)
Profit after taxation		66,140,594	60,959,122
Minority interests		(1,350,432)	(2,580,148)
Profit attributable to shareholders		64,790,162	58,378,974
Transfer (from)/to reserve	4	(20,735,108)	2,363,200
Dividends — proposed		16,969,856	16,708,495
Basic earnings per share	5	5.77 cents	5.20 cents
Fully diluted earnings per share	5	5.70 cents	5.17 cents

Notes:

- The Group is principally engaged in securities trading and investment, container transportation and freight forwarding services, corporate finance and stockbroking, sales of software and ASP consultancy services, and investment holding, property holding and management. An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical locations is as follows:

	Turnover		Contribution to operating profit	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Principal activities:				
Securities trading and investment	214,275,815	194,212,206	2,259,222	13,458,771
Container transportation and freight forwarding services	49,015,752	51,382,165	4,252,693	4,437,050
Corporate finance and stockbroking	33,461,295	35,924,160	(2,061,828)	14,595,379
Sales of software and ASP consultancy services	613,545	6,243,908	(467,192)	(2,150,442)
Investment holding, property holding and management	965,120	2,047,895	4,239,458	(25,229,974)
	298,331,527	289,810,334	8,222,353	5,110,784
Other revenue			8,962,528	15,673,547
Operating profit			17,184,881	20,784,331
Geographical locations:				
Hong Kong	248,485,716	234,242,756	(8,060,071)	(2,306,868)
Chinese Mainland	49,383,373	53,980,878	21,472,104	6,434,314
Others	462,438	1,586,700	(5,189,680)	983,338
	298,331,527	289,810,334	8,222,353	5,110,784
Other revenue			8,962,528	15,673,547
Operating profit			17,184,881	20,784,331

- Operating profit

Operating profit is stated after crediting and charging the following:—

	2001 HK\$	2000 HK\$
Crediting:		
Interest income	9,808,758	16,125,220
Dividend income from listed investments	466,466	676,467
Gross rental income from investment properties	771,074	1,511,622
Gain on disposal of investment securities	1,141,762	839,912
Gain on disposal of fixed assets	—	1,263,829
Charging:		
Depreciation	10,748,021	10,624,553
Direct expenses in respect of container transportation and freight forwarding services	40,556,323	41,679,052
Outgoings in respect of investment properties	167,078	437,833
Loss on disposal of fixed assets	163,226	—
Realised loss on portfolio management	3,913,897	—
Amortisation of trading right	81,882	—
Amortisation of goodwill on acquisition of an associated company	115,282	—

- Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2001 HK\$	2000 HK\$
Hong Kong profits tax		
Current	386,569	2,302,100
Overprovision in prior years	(239,684)	(29,450)
Overseas taxation		
Current	954,249	512,870
Share of taxation attributable to:		
Associated companies	3,841,215	3,492,058
Jointly controlled entities	6,879,037	6,334,010
	11,821,386	12,611,588

- Transfer (from)/to reserve

	2001 HK\$	2000 HK\$
Transfer to capital redemption reserve	1,472,000	2,363,200
Transfer from warrant reserve upon lapse of warrants	(22,207,108)	—
	(20,735,108)	2,363,200

- The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$64,790,162 (2000: HK\$58,378,974). The basic earnings per share is based on the weighted average number of 1,123,511,672 (2000: 1,122,838,260) shares in issue during the year. The diluted earnings per share is based on 1,137,536,221 (2000: 1,128,179,736) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 14,024,549 (2000: 5,341,476) shares deemed to be issued at no consideration if all outstanding options had been exercised.

- Contingent liabilities

	2001 HK\$	2000 HK\$
Guarantee for bank loans of a jointly controlled entity	—	70,122,000
The Group's share of contingent liabilities of an associated company	16,959,961	15,309,575

DIVIDEND

The Directors have recommended the payment of a final dividend of HK\$0.015 (2000: HK\$0.015) per ordinary share, totalling HK\$16,969,856 (2000: HK\$16,708,495).

BUSINESS REVIEW

2001 was a challenging year for the financial services industry. The collapse of the technology bubble followed by the terrible events of September 11 has contracted the Hong Kong stock market both in terms of liquidity and volatility. Revenue from securities and futures broking activities declined in line with the overall slowdown of the market. Despite the contraction of the capital raising market and the increasing competition in the Hong Kong corporate finance market, the Corporate Finance Division completed two sponsorships of IPO in 2001. The Division also provided financial advisory services and was involved in a number of placements, rights issues and underwriting of securities.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC"), is one of the largest container transportation and freight forwarding companies in Shanghai. Despite keen market competition, the operating results of ZCIC in 2001 were satisfactory.

Notwithstanding the slowdown in economy in most part of the world in 2001, the export sales of Goodbaby Child Products Co. Ltd. ("Goodbaby") and RBI Holdings Co. Ltd. still experienced a healthy growth. This shows the high potential of the children products' market which is much less affected by the economic downturn.

China Assets (Holdings) Ltd. ("China Assets") achieved a stable operating profit for 2001 as it continued its cautious investment strategy. Negotiation with the Zhongshan government authorities regarding early settlement of China Assets' investments in two toll roads has made progress, it is expected that the transaction could be completed in the next few months. Due to the illegitimate and unauthorised unilateral action of the Chinese partner of Shenzhen SPEC Plastic Holdings Co. Ltd. ("SPPC"), SPPC was led to provide guarantees for the bank loans of the Chinese partner and its group companies. As the Chinese partner had defaulted in loan repayments, SPPC might have to honour the contingent liabilities. China Assets has taken steps to push the Chinese partner to take remedial actions to solve the problem in 2002.

The Group had disposed of three non-core investments in 2001 and recorded a satisfactory return. Interest income fell from HK\$16 million in 2000 to HK\$10 million in 2001 mainly due to the significant reduction in interest rates in Hong Kong. The Group has taken measures to improve the return from the Group's surplus fund.

PROSPECTS

The performance of the Group's financial services operation will continue to be affected by market conditions including the economic outlook, market sentiment and movements in interest rates. The Group will work to enhance its position in the Hong Kong stock market and to strengthen its capability in serving small to medium size companies particularly for PRC enterprises. During the first quarter of 2002, the Corporate Finance Division had already completed two sponsorships of IPO. The Group will continue its efforts to improve its online securities trading services to better serve its clients especially those who station in the Chinese Mainland. Measures have been taken to centralise the Group's research operations to focus on providing quality reports and analysis on red chips and H shares.

ZCIC is applying for an air freight forwarding licence in Shanghai in order to provide a full range of cargo transportation and freight forwarding services. The move will help to increase its profit margin.

Goodbaby is planning to expand its sales network in China by the opening of more franchise stores. It is expected that the retail business environment will continue to remain very challenging in 2002. Goodbaby will strive to sustain its dominant market position by offering differentiated and cost-saving products. It will also look for business partners to expand the European market.

China Assets will focus on disposing of its existing direct investments in 2002. For identifying new investment opportunities, it plans to focus on a few selected value-added industries that employ new technologies for synergy and strategic monitoring reasons.

The Group is cautious about the outlook for the year ahead. Much will depend on the pace of recovery in the U.S. The Group is well able to weather the remainder of the downturn in economy and is in a strong position to benefit from any improvement in economic conditions that may occur in 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2001, the Group recorded a turnover of HK\$298 million and profit attributable to shareholders of HK\$65 million as compared to HK\$290 million and HK\$58 million respectively in 2000. Basic earnings per share increased from HK5.20 cents in 2000 to HK5.77 cents in 2001, grew by 11%.

Disposal of interests in a subsidiary and jointly controlled entities

During the year, the Group disposed of its entire interests in two jointly controlled entities in PRC. The aggregate proceed and gain on these disposals amounted to approximately HK\$96 million and HK\$16 million. These two jointly controlled entities are engaged in property development in Beijing and cargo distribution respectively.

In April 2001, the Group's controlling interests in Bonvision Technology Limited was sold at a consideration of HK\$20 million and the gain on disposal amounted to approximately HK\$10 million.

Liquidity and financial resources

During the year, 23,384,000 units of warrants and 1,520,000 share options were exercised and the net proceeds received by the Company were approximately HK\$15 million.

The Group maintained sound financial position in 2001 and its operation and investment activities were principally financed by internal resources. The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2001, the Group had cash and bank balances of approximately HK\$307 million, investment in marketable securities of HK\$36 million and a gearing ratio (total liabilities excluding minority interest to shareholders' funds) of 7.3%. The Group's deposits are placed with our principal bankers at competitive time deposit interest rate.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$95 million as at 31st December 2001 (2000: HK\$96 million) as well as fixed deposits of HK\$15 million (2000: HK\$13 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2000: HK\$93 million) granted to the Group.

Employees

As at 31st December 2001, the Group employed 473 staff, of which 410 are located in the 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December 2001, the Company repurchased its owned shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	
January 2001	496,000	0.445	0.435	220,901
February 2001	584,000	0.400	0.395	233,508
September 2001	6,280,000	0.360	0.315	2,183,397
	<u>7,360,000</u>			<u>2,637,806</u>

The above shares were cancelled upon repurchases and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of HK\$1,472,000 equivalent to the nominal value of the cancelled shares was transferred to the capital redemption reserve. The remaining portion of premium and brokerage expenses payable on the repurchases was charged against the share premium account.

Apart from the repurchases of shares as disclosed above, 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 during the year ended 31st December 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17th May 2002 to Friday, 24th May 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queens Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 16th May 2002.

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 Listing Rules throughout the year, 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

The Year 2001 Annual Report containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange website (<http://www.hkex.com.hk>) in due course.

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

Hong Kong, 19th April 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19th Floor, Wing On House, 71 Des Voeux Road, Central, Hong Kong on Friday, 24th May 2002 at 3:00 p.m. for the following purposes:

- To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31st December 2001.
- To re-elect retiring Directors in accordance with the Articles of Association and authorize the Board of Directors to fix Directors' remuneration.
- To declare a final dividend of HK\$0.015 per share for the year ended 31st December 2001.
- To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.
- As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:
"THAT
 - the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
 - the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution, and the said approval shall be limited accordingly; and
 - for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until the earlier of:
 - the conclusion of the next annual general meeting;
 - the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; and
 - the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held."
- As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as an Ordinary Resolution:
"THAT
 - the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which may require the exercise of such power, be and is hereby generally and unconditionally approved;
 - the approval in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) or the exercise of subscription rights under the share option scheme of the Company, the total nominal amount of share capital issued, allotted, disposed of or agreed conditionally or unconditionally to

be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

- for the purpose of this Resolution, "Relevant Period" shall have the same meaning as in resolution no. 5(c)."
- As special business to consider and, if thought fit, to pass with or without amendments the following resolution as an Ordinary Resolution:
"THAT conditional upon resolution no. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are purchased by the Company under the authority granted to the Directors as mentioned in resolution no. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no. 6 above."
 - As special business to consider and, if thought fit, to pass with or without amendments the following resolution as an Ordinary Resolution:
"THAT the Share Option Scheme which was adopted by the Company on 12 May 1994 be terminated and that a new Share Option Scheme which is proposed to be adopted by the Board of Directors be adopted on the date of the Annual General Meeting."
 - As special business to consider and, if thought fit, to pass with or without amendments the following resolution as a Special Resolution:
"THAT the new Articles of Association of the Company, a copy of which is attached to this resolution and initiated by the Chairman of the Board of Directors for identification purpose, be adopted as the New Articles of Association of the Company."

By Order of the Board
LAO Yuan Yi
Chairman and Managing Director

Hong Kong, 19th April 2002

Registered Office:
Room 1903
Wing On House
71 Des Voeux Road
Central
Hong Kong

Notes:

- The register of members of the Company will be closed from Friday, 17th May 2002 to Friday, 24th May 2002, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 16th May 2002.
- Every member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.