



第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF 2001 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 2001 together with comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Six months ended 30th June	
		2001 HK\$'000	2000 HK\$'000
Turnover	1	183,068	154,455
Cost of sales		(150,795)	(126,110)
Gross profit		32,273	28,345
Distribution costs		(19)	(1,329)
Administrative expenses		(34,390)	(24,873)
Other operating income		21,144	4,439
Other revenue		4,796	7,651
Operating profit	1 & 2	23,804	14,233
Finance costs		(111)	(195)
Share of profits less losses of Associated companies Jointly controlled entities		11,164	10,828
		18,898	12,285
Profit before taxation		53,755	37,151
Taxation	3	(7,147)	(6,630)
Profit after taxation		46,608	30,521
Minority interests		(1,228)	(1,641)
Profit attributable to shareholders		45,380	28,880
Transfer to capital redemption reserve		(216)	(86)
Profit retained for the period		45,164	28,794
Basic earnings per share	4	4.1 cents	2.6 cents
Fully diluted earnings per share	4	4.0 cents	2.5 cents

Notes

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

	Turnover		Contribution to operating profit	
	Six months ended 30th June		Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Principal activities:				
Securities trading and investment	140,005	112,611	11,206	7,946
Container transportation and storage services	23,887	24,542	3,175	3,056
Corporate finance and stockbroking	18,089	16,649	3,773	7,392
Investment holding, property holding, management and IT services	1,087	653	854	(11,812)
	183,068	154,455	19,008	6,582
Other revenue			4,796	7,651
Operating profit			23,804	14,233
Geographical locations:				
Hong Kong	158,731	129,520	6,986	3,481
Chinese Mainland	24,239	24,959	11,624	2,923
Others	98	176	398	178
	183,068	154,455	19,008	6,582
Other revenue			4,796	7,651
Operating profit			23,804	14,233

2. Operating profit

	Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting and charging the following:—		
Crediting:		
Interest income	5,143	7,773
Dividend income from listed investments	194	330
Gross rental income from investment properties	432	622
Gain on disposal of partial interest in subsidiaries	10,117	—
Gain on disposal of a jointly controlled entity	9,719	—
Gain on disposal of investment securities	1,142	4,810
Gain on disposal of fixed assets	—	1,356
Charging:		
Depreciation	5,559	4,686
Direct expenses in respect of container transportation and freight forwarding services	19,832	19,656
Cost of disposal of other investments	129,973	106,450
Outgoings in respect of investment properties	96	181
Loss on disposal of fixed assets	163	—

3. Hong Kong profits tax has been provided for at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period 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:

	Six months ended 30th June	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
Current	1,171	2,390
Overprovision in prior years	(3)	—
Overseas taxation		
Current	69	121
Overprovision in prior years	—	(116)
Share of taxation attributable to:		
Associated companies	1,224	1,410
Jointly controlled entities	4,686	2,825
	7,147	6,630

4. The calculation of earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$45,380,000 (2000: HK\$28,880,000) and the weighted average number of 1,114,612,677 ordinary shares (2000: 1,124,183,281 shares) in issue during the period. The diluted earnings per share is based on 1,131,139,292 (2000: 1,170,178,467) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 16,526,615 (2000: 45,995,186) ordinary shares deemed to be issued at no consideration if all outstanding share options and warrants (except for those with exercise prices higher than the fair value per share of the Company during the period which have no dilutive effect) were exercised.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2000: Nil).

OPERATION REVIEW

Despite a slowdown in Hong Kong's economy, the Group recorded significant growth in net profits during the six months ended 30th June 2001. Disposal of equity interests in a property development project and BonVision Technology Limited brought in profit contributions of approximately HK\$20 million for the period. The Group will continue to redirect its resources in businesses where our strength lies.

The first half of the financial year witnessed a marked slowdown in the equity capital market activities in Hong Kong. Average daily market turnover declined by 35% to HK\$9.3 billion during the period under review, down from HK\$14.4 billion for the corresponding period last year. The businesses of stockbroking and corporate finance were adversely affected by the weakening investment climate. However, the Group still has been able to expand its business. Operating profit declined due to increase in overheads needed to strengthen the operations' infrastructure in support of future growth.

The Asset Management Division performed well in the period under review. Contributions from securities trading and investments increased by 41% to HK\$1.1 million during the six months ended 30th June 2001.

Performance of China Assets (Holdings) Limited during the period was satisfactory. Negotiations for the disposal of its existing investments continued to make progress.

In the first half of 2001, Goodbaby Child Products Company Limited ("Goodbaby") recorded a steady growth in both turnover and profit attributable to shareholders. Facing keen competition in Mainland China, Goodbaby has placed more resources to develop the overseas markets. Enjoying the advantage of lower manufacturing cost in China, Goodbaby has successfully expanded its client base in the United States and Europe with high quality products at competitive prices.

The container transportation business carried out by Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") was affected by the slowdown in growth in container transportation turnover in Shanghai. Its profit increased slightly due to improvements in cost control.

PROSPECTS

The China B share markets were opened to local investors in February 2001 and these markets are expected to grow substantially as more enterprises choose to raise foreign currency funds domestically. Our Financial Services Division seeks to become an active player in both the primary and secondary B share markets. In respect of the Hong Kong operations, the Financial Services Division will embark on futures brokering services in September, so as to provide more comprehensive and well-suited products to match the needs of investors.

After the introduction of two strategic investors, The China Retail Fund, LDC, (a direct investment fund advised by AIG Investment Corporation) and SB China Holdings Pte Ltd. (a subsidiary of Softbank Corporation), Goodbaby is now preparing for listing. The listing status will help Goodbaby to strengthen its leading position in the child products industry.

With China's imminent accession into the World Trade Organization and continued reforms in its key industries, it will offer much business opportunities to investors. It is expected that the Group's corporate finance and assets management businesses would be benefited from the reforms in China's securities market. ZCIC and our other investments in Mainland China will also reap benefits from the rapid growth in China's economy.

The Group, as an energetic listed entity, will make maximum use of stable returns from its existing businesses and grasp new opportunities to acquire high-potential projects, thereby enhancing shareholders' return. With the implementation of the said strategies, we are confident that the ongoing investments in Mainland China will continue to bring success to the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit attributable to shareholders for the six months ended 30th June 2001 was HK\$45 million, an increase of 57% over the same period in 2000. Basic earnings per share increased to HK\$4.1 cents, up 58%.

Turnover of the Group for the period under review increased by 19% to HK\$183 million as compared to HK\$154 million for the same period of last year.

Disposal of interests in subsidiaries and a jointly controlled entity

In March 2001, the Group disposed of its entire interest in a jointly controlled entity at a consideration of HK\$67 million and the gain on this disposal amounted to approximately HK10 million. The jointly controlled entity owns a property development project in Beijing.

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

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. As at 30th June 2001, the Group has a strong financial position with approximately HK\$260 million cash reserves and a gearing ratio (total liabilities excluding minority interests to shareholders' funds) of 7%. Investment in marketable securities as at 30th June 2001 amounted to approximately HK\$60 million.

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

Employees

As at 30th June 2001, the Group employed 489 staff (30th June 2000: 450) of which 428 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.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$94 million as at 30th June 2001 (31st December 2000: HK\$96 million) as well as fixed deposits of HK\$13 million (31st December 2000: HK\$13 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$118 million (31st December 2000: HK\$93 million) granted to the Group. At 30th June 2001, HK\$10 million (31st December 2000: Nil) of the bank overdraft facilities was utilized.

Contingent liabilities

The Company together with other parties has provided corporate guarantees to a jointly controlled entity for bank loans to the maximum extent of HK\$70 million (31st December 2000: HK\$70 million).

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

During the six months ended 30th June 2001, the Company repurchased its own shares on 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
	1,080,000			454,409

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\$216,000 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 six months ended 30th June 2001.

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 2001 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 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 25th September 2001.

By order of the Board
LAO Yuan Yi
Chairman and Managing Director
Hong Kong, 4th September 2001