



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF 2003 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 2003 together with comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

Note	Unaudited Six months ended 30th June	
	2003 HK\$'000	Restated (Note 1) 2002 HK\$'000
Turnover	123,589	79,836
Cost of sales	(89,849)	(45,359)
Gross profit	33,740	34,477
Other revenue	1,770	2,537
Administrative expenses	(38,163)	(36,217)
Other operating expenses	(5,580)	(1,282)
Other operating income	17,541	9,931
Operating profit	9,308	9,446
Finance costs	(144)	(142)
Share of profits less losses of:		
Associated companies	23,804	11,351
Jointly controlled entities	20,052	20,549
Profit before taxation	53,020	41,204
Taxation	(7,658)	(7,211)
Profit after taxation	45,362	33,993
Minority interests	1,112	(659)
Profit attributable to shareholders	46,474	33,334
Basic earnings per share	3.96 cents	2.95 cents
Fully diluted earnings per share	3.93 cents	2.90 cents

Notes:

1. Basis of preparation

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has adopted SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003. The major effects of adopting the SSAP 12 are set out below:

Opening retained earnings at 1st January 2003 and 2002 have been increased by approximately HK\$3,528,000 and HK\$3,134,000 respectively and opening reserves at 1st January 2003 and 2002 have been decreased by approximately HK\$2,722,000 and HK\$2,770,000 respectively. The profit for the six months ended 30th June 2002 has been increased by approximately HK\$329,000.

2. Segment information

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, investment holding, property holding and management.

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

Primary reporting format — business segments

	Turnover Unaudited Six months ended 30th June		Contribution to operating profit Unaudited Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Securities trading and investment	71,641	23,705	2,787	(2,751)
Corporate finance and stockbroking	30,999	33,529	14,297	14,162
Container transportation and freight forwarding services	20,593	22,164	(2,106)	1,685
Investment holding, property holding and management	356	438	(7,440)	(6,187)
	123,589	79,836	7,538	6,909
Other revenue — interest income			1,770	2,537
Operating profit			9,308	9,446

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, investment holding, property holding and management.
Chinese Mainland	—	Investment holding, container transportation and freight forwarding services.

	Turnover Unaudited Six months ended 30th June		Contribution to operating profit Unaudited Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	102,661	57,259	16,346	5,002
Chinese Mainland	20,841	22,345	(6,423)	2,507
Others	87	232	(2,385)	(600)
	123,589	79,836	7,538	6,909
Other revenue - interest income			1,770	2,537
Operating profit			9,308	9,446

There are no sales between the geographical segments.

3. Operating profit

	Unaudited Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after crediting and charging the following:—		
Crediting:		
Gain on disposal of partial interest in an associated company	6,002	—
Gain on disposal of investment securities	—	7,850
Amortisation of negative goodwill on acquisition of partial interest in jointly controlled entities	1,510	1,479
Charging:		
Depreciation	4,203	5,372
Loss on disposal of fixed assets	25	276
Amortisation of goodwill on acquisition of partial interest in an associated company and a jointly controlled entity	130	85
Amortisation of goodwill on acquisition of a subsidiary	4,885	—
Amortisation of trading right	82	82
Staff costs	31,394	28,073

4. Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 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:

	Unaudited Six months ended 30th June	
	2003 HK\$'000	Restated (Note 1) 2002 HK\$'000
Hong Kong profits tax		
Current	1,742	2,518
Overprovision in prior years	(2)	(317)
Overseas taxation - current	—	178
Deferred taxation	138	(56)
Share of taxation attributable to:		
Associated companies	1,922	1,487
Jointly controlled entities	3,858	3,401
	7,658	7,211

5. Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$46,474,000 (2002: HK\$33,334,000, as restated). The basic earnings per share is based on the weighted average number of 1,173,323,705 (2002: 1,131,323,705) ordinary shares in issue during the period. The diluted earnings per share is based on 1,182,087,836 (2002: 1,147,748,155) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 8,764,131 (2002: 16,424,450) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

OPERATION REVIEW

For the six months ended 30th June 2003, the Group recorded a profit attributable to shareholders of HK\$46 million, representing a 39% increase from the corresponding period last year. The increase in profit is mainly contributed by the outstanding performance of China Assets (Holdings) Limited ("China Assets"). Following the continued recovery in the equities market, the Group has increased securities trading activities. As the result, the Group's turnover increased to HK\$124 million from HK\$80 million of the same period last year.

Despite the SARS outbreak in March, we still delivered a satisfactory result in the corporate finance and stockbroking business. Unlike some other business sectors, the securities industry was fast recovered from this short crisis. During the period under review, our Corporate Finance Department had successfully completed three sponsorships of IPO.

Goodbaby Child Products Company Limited ("Goodbaby") recorded a healthy increase in both turnover and profit attributable to shareholders in the period. By broadening the client base overseas, Goodbaby's export business continued to grow.

Benefiting from the rapid growth in the automotive industry in Chinese Mainland, Zhejiang Shaoxing Betung Instrument Company Limited achieved a substantial increase in both turnover and profit attributable to shareholders.

The performance of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") is not satisfactory and an operating loss was incurred in the period. The competition in the container transportation sector is still keen and the profit margin of freight forwarding industry is decreasing.

The investee companies of China Assets have stable performance during the six months ended 30th June 2003. Gain from disposal of the toll roads contributed extra profits to the Group.

The share price of RBI Holdings Limited ("RBI") reached a historical high recently and we have disposed of certain interests in RBI to realise the return on this investment. As affected by the outbreak of SARS and the war in Iraq, the results of RBI dropped slightly compared to the same period last year.

In May 2003, the litigation for recovery of the deposit amounted HK\$22.3 million paid by the Group for purchase of an office premises in Lippo Centre was settled out of court and the Group received HK\$9 million in June 2003. The deposit paid had been fully provided in 1998.

PROSPECTS

The Closer Economic Partnership Arrangement with Chinese Mainland is offering new opportunities. There are expectations that the Hong Kong economy will rebound from the worst situation during the SARS outbreak. We have expanded our brokerage team to grasp this opportunity and thus enlarge the market share.

Chinese Mainland's economy remains robust and there is an increase in consumer purchasing power. We believe that our various investments in different business sectors in Chinese Mainland will continue to generate reasonable returns.

The development of a four-star hotel in Kunshan Economy & Technology Development District and the properties development project in Shanghai Zhangjiang High-tech Park are in the progress. We expect the returns from these projects will commence in 2004 and which will widen our profit base in future.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit attributable to shareholders for the six months ended 30th June 2003 was HK\$46 million, an increase of 39% over the same period in 2002. Basic earnings per share increased to HK3.96 cents, up 34%.

Turnover of the Group for the period under review increased by 55% to HK\$124 million as compared to HK\$80 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 2003, the Group has a strong financial position with approximately HK\$232 million cash reserves and a gearing ratio (total liabilities excluding minority interest to shareholders' fund) of 9%. Investment in marketable securities as at 30th June 2003 amounted to approximately HK\$49 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 2003, the Group employed 472 staff (30th June 2002: 478), of which 389 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 2003 amounted to approximately HK\$31 million.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$92 million as at 30th June 2003 (31st December 2002 : HK\$93 million) as well as fixed deposits of HK\$15 million (31st December 2002 : HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (31st December 2002 : HK\$120 million) granted to the Group.

Contingent liabilities

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Guarantee for bank loans of a jointly controlled entity	—	2,830

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2002: Nil).

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 matter, including a review of the unaudited interim accounts for the six months ended 30th June 2003 approved by the directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF LISTING RULES

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 30th September 2003.

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

Hong Kong, 19th September 2003