



FIRST SHANGHAI INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

2000 FINAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group"), associated companies and jointly controlled entities for the year ended 31st December 2000 are as follows:

	Note	2000 HK\$	1999 HK\$
Turnover	1	305,483,881	719,454,505
Cost of sales		(225,457,238)	(541,010,195)
Gross profit		80,026,643	178,444,310
Distribution costs		(1,693,127)	(41,561,130)
Administrative expenses		(64,246,138)	(82,171,301)
Other operating expenses		(7,174,612)	(7,362,083)
Other operating income		13,871,565	11,284,629
Operating profit	1	20,784,331	58,634,425
Finance costs		(377,398)	(5,360,121)
Share of profits less losses of			
Associated companies		25,663,173	18,111,237
Jointly controlled entities		27,500,604	11,487,201
Profit before taxation		73,570,710	82,872,742
Taxation	2	(12,611,588)	(11,921,329)
Profit after taxation		60,959,122	70,951,413
Minority interests		(2,580,148)	(16,629,988)
Profit attributable to shareholders		58,378,974	54,321,425
Retained profits brought forward		64,427,933	10,106,508
Total profits available for appropriation		122,806,907	64,427,933
Transfer to capital redemption reserve		(2,363,200)	—
Final dividend proposed		(16,708,495)	—
Retained profits carried forward		103,735,212	64,427,933
Earnings per share			
— basic	3	<u>5.20 cents</u>	<u>5.10 cents</u>
— fully diluted	3	<u>5.17 cents</u>	<u>5.08 cents</u>

Notes:

1. The Group's turnover and contribution to operating profit by principal activities and geographical locations are as follows:

	Turnover		Operating profit	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
(a) Principal activities				
Securities trading and investments	194,212,206	189,575,016	13,458,771	10,724,747
Container transportation and storage services	51,382,165	46,813,827	4,437,050	7,956,394
Sales of child products	—	460,428,563	—	50,582,562
Sales of software and ASP consultancy services	6,243,908	—	(2,150,442)	—
Corporate finance and stockbroking	35,924,160	7,395,266	14,595,379	1,682,666
Investment holding, property holding and management	17,721,442	15,241,833	(9,556,427)	(12,311,944)
	<u>305,483,881</u>	<u>719,454,505</u>	<u>20,784,331</u>	<u>58,634,425</u>
	Turnover	1999	Operating profit	1999
	2000	HK\$	2000	HK\$
(b) Geographical locations				
Hong Kong	249,916,303	205,875,947	11,736,244	(2,343,482)
Chinese Mainland	53,980,878	511,626,969	6,894,554	60,110,601
Others	1,586,700	1,951,589	2,153,533	867,306
	<u>305,483,881</u>	<u>719,454,505</u>	<u>20,784,331</u>	<u>58,634,425</u>

Depreciation of HK\$10,624,553 (1999: HK\$21,623,910) has been included in the operating profit.

2. Hong Kong profits tax has been provided at the rate of 16% (1999: 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 results represents:—

	2000 HK\$	1999 HK\$
Hong Kong profits tax		
Current	2,302,100	144,000
(Over)/under provision in previous year	(29,450)	9,293
10% 1997/98 Hong Kong profits tax rebate	—	(9,780)
Overseas taxation		
Current	512,870	5,338,736
Share of taxation attributable to:		
Associated companies	3,492,058	4,038,478
Jointly controlled entities	6,334,010	2,400,602
	<u>12,611,588</u>	<u>11,921,329</u>

3. The calculation of basic and diluted earnings per ordinary share are based on the Group's profit attributable to shareholders of HK\$58,378,974 (1999: HK\$54,321,425). The basic earnings per share is based on the weighted average number of 1,122,838,260 (1999: 1,064,442,622) ordinary shares in issue during the year. The diluted earnings per share is based on 1,128,179,736 (1999: 1,068,877,579) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 5,341,476 (1999: 4,434,957) ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

BUSINESS REVIEW

The increase in net profit in 2000 was mainly attributed to the encouraging performance of the Financial Services Division, and the return to profitability of China Assets (Holdings) Limited ("CAHL"). The exclusion of the turnover of Goodbaby, which was accounted for as a jointly controlled entity from November 1999 onwards, explained the decrease in turnover in 2000. Excluding the effect of the change in accounting treatment of Goodbaby, the 2000 turnover would have increased by 18% from 1999.

During the year under review, the Financial Services Division strengthened its stockbroking and corporate finance businesses by expanding its securities sales and corporate finance team to cater for its growing client base. The Division participated in an increased number of initial public offerings and equity issues and remained an active player in the corporate finance field. The introduction of Internet stockbroking services during the second quarter of 2000 served to complement the existing stockbroking business.

The fundamental improvement in the Chinese economy has led to an upturn in its domestic business activities. Most of CAHL's investee companies reported improved results. The Company proposed in May 2000 to acquire the equity interests in 10 PRC joint ventures held by CAHL at a consideration of US\$15 million. However, the proposal was not passed in the extraordinary general meeting of shareholders of CAHL.

In July 2000, two strategic investors namely, The China Retail Fund, LDC (a direct investment fund advised by AIG Investment Corporation) and SB China Holdings Pte Ltd. (a subsidiary of Sofibank Corporation), had put in approximately US\$18 million to subscribe for Goodbaby's equity capital.

The operating results of Goodbaby and RBI Holdings Ltd. were both affected by the increase in cost of raw materials in 2000. They had taken steps to control operating costs and increase in turnover.

Being China's largest container port, Shanghai has been enjoying strong growth in throughput since the 1990's. Despite keen market competition, the performance of Shanghai Zhong Chuang International Container Storage & Transportation Co Ltd. ("ZCIC") in 2000 was encouraging.

The Group continually reviews new information technology for opportunities to upgrade and enhance the operation system of its group companies to meet changing needs of customers, and the enhance efficiencies. Goodbaby launched its website in 2000 to provide a new communication channel to its customers and business partners through Internet.

FUTURE PROSPECTS

The market sentiment of the securities sector is expected to be improved in the second half of 2001. The Financial Services Division plans to start the futures broking services in July 2001 so as to offer a more comprehensive scope of financial services to clients. The PRC government has recently decided to allow local investors to engage in "B" shares dealing. The Division is well positioned to take advantage of this new business opportunity. Its first move is to set up subsidiary in Shenzhen recently and Shanghai later to engage in asset management business.

CAHL will continue to look for exit opportunities for its existing investments. It will focus on those value-added industries with growth potentials created by new technologies.

Prices of raw materials are expected to become stable in 2001. In order to maintain its competitiveness, Goodbaby will focus on the improvement in production efficiency and control of operating expenses. With assistance from the new shareholders, Goodbaby will set up an e-commerce platform to utilize its existing sales network and strong product and brand image in China.

ZCIC will continue to benefit from the rapid increase in container throughput in Shanghai, especially after China's joining the WTO. In view of the increasing e-commerce activities and the computerization of operations of port authorities and container terminals, ZCIC is prepared to make joint efforts with its business partners to further upgrade its services and provide quality logistic services to customers.

In recent years, the Group has maintained steady incomes from financial services, child products manufacturing, container transportation and direct investment businesses. As from 1999, the Group began its investment in technology related businesses. The Group's business strategies will continue to include acquiring high-potential projects, increasing economic effectiveness of existing businesses and enhancing shareholders' value.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group achieved a growth in net profit attributable to shareholders of 7.5% to approximately HK\$58.4 million for the year ended 31st December 2000. Basic earnings per share increased to 5.20 HK cents, up 2%. Turnover of the Group decreased to approximately HK\$305 million, down 57% from 1999. The decrease in turnover reflected the reclassification of the Group's investment in Goodbaby from subsidiary to jointly controlled entity as from November 1999. The results of Goodbaby have been equity accounted for in 2000 and this explained the substantial decrease in the Group's turnover, gross profit, distribution costs, administrative expenses and finance costs.

Liquidity and financial resources

The Company relied principally on its internal resources to fund its operation and investment activities. As at 31st December 2000, the Group's net cash and bank balances amounted to approximately HK\$205 million and the debt-equity ratio was only 9%.

The bank interest income for the year under review amounted to approximately HK\$16 million, up 23% from 1999, as a result of the increase in interest rate and the commencement of share margin business in 2000.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group's investment in unit trusts and marketable shares as at 31st December 2000 amounted to approximately HK\$48 million. During the year 2000, the Group did not engage in any derivative activities.

In February 2000, the Company raised approximately HK\$25 million by the placement of 220 million units of warrants at HK\$0.12 each. The warrant holders are entitled to subscribe on or before 1st August 2001 for new shares of the Company at an initial subscription price of HK\$0.62 per share.

Dividend Policy

The Group maintained a position of financial stability and solid cash holdings in recent years so that it could take advantage of any investment opportunities as they arose. Dividend per share proposed for year 2000 amounted to HK\$0.015, representing a dividend payout ratio of 29%. No dividend was paid in year 1999.

Employees

As at 31st December 2000, the Group employed 463 staff, of which 395 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 share 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\$96 million as at 31st December 2000 (1999: HK\$103 million) as well as fixed deposits of HK\$13 million (1999: HK\$13 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$93 million (1999: HK\$55 million) granted to the Group. At the balance sheet date, no amount of such facilities was utilized (1999: HK\$3.7 million).

Contingent Liabilities

The Company together with other parties has provided corporate guarantees to Goodbaby for bank loans and overdrafts to the maximum extent of HK\$70 million (1999: Nil).

DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK\$0.015 (1999: Nil) per share to shareholders whose names appear on the register of members of the Company on Thursday, 31st May 2001. Subject to the approval at the forthcoming annual general meeting, it is expected that the final dividend will be paid on Thursday, 7th June 2001.

DEALINGS IN THE COMPANY'S SECURITIES

During the year ended 31st December 2000, the Company had repurchased 11,816,000 of its ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate price of HK\$5,011,298. Details of the share repurchases are as follows:

Month of repurchase	No. of shares repurchased	Price per share paid		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
May 2000	432,000	0.560	0.530	234,258
September 2000	592,000	0.500	0.480	294,080
October 2000	5,120,000	0.490	0.350	2,030,640
November 2000	5,016,000	0.460	0.420	2,175,360
December 2000	656,000	0.430	0.420	276,960
	<u>11,816,000</u>			<u>5,011,298</u>

Total expenses on share repurchases 17,820

5,029,118

The above shares were cancelled by the Company and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. An amount of HK\$2,363,200 equivalent to the nominal value of the cancelled shares was transferred to the Capital Redemption Reserve. The remaining balance of the aggregate consideration paid amounting to HK\$2,665,918 was charged to the Share Premium Account.

Saved as disclosed, the Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of its securities listed on the Stock Exchange during the year ended 31st December 2000.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28th May 2001 to Thursday, 31st May 2001, 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, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 25th May 2001.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE

The Year 2000 Annual Report containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange's website at <http://www.hkex.com.hk> in due course.

By Order of the Board

Lao Yuan-Yi

Chairman and Managing Director

Hong Kong, 20th April 2001

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 Thursday, 31st May 2001 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 2000.
- To re-elect those Directors retiring in accordance with the Articles of Association and fix their remuneration.
- To declare a final dividend of HK\$0.015 per share for the year ended 31st December 2000.
- To re-appoint the Auditors of the Company and to authorise the Directors to fix their remuneration.
- To consider and, if thought fit, 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 and warrants 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 bye-laws of the Company or any applicable laws to be held."

- To consider and, if thought fit, 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)."
- To consider and, if thought fit, 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."
 - To transact any other ordinary business of the Company.

By Order of the Board

LAO Yuan Yi

Chairman and Managing Director

Hong Kong, 20th April 2001

Registered Office:

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

Notes:

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- 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.