第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

2000 INTERIM RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce that 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 2000 together with comparative figures for the corresponding period last year are as follows:

		Six months ended 30th June	
		2000	1999
	Note	***HK$'000***	*HK$'000*
Turnover	*1*	**162,106**	430,786
Cost of sales		**(126,110)**	(315,428)
Gross profit		**35,996**	115,358
Other operating income		**4,439**	7,516
Distribution costs		**(1,329)**	(34,452)
Administrative expenses		**(24,873)**	(47,077)
Operating profit	*2*	**14,233**	41,345
Finance costs		**(195)**	(3,469)
Share of profits less (losses) of			
Associated companies		**10,828**	10,489
Jointly controlled entities		**12,285**	(1,058)
Profit before taxation		**37,151**	47,307
Taxation	*3*		
Hong Kong		**2,390**	—
Outside Hong Kong		**5**	2,912
Share of taxation attributable to associated companies		**1,410**	1,363
Share of taxation attributable to jointly controlled entities		**2,825**	204
		6,630	4,479
Profit after taxation		**30,521**	42,828
Minority interests		**(1,641)**	(11,700)
Profit attributable to shareholders		**28,880**	31,128
Retained profits brought forward		**64,428**	10,106
Total profits available for appropriation		**93,308**	41,234
Transfer to capital redemption reserve		**(86)**	—
Retained profits carried forward		**93,222**	41,234
Basic earnings per share	*4*	**2.6 cents**	3.0 cents
Diluted earnings per share	*4*	**2.5 cents**	N/A

Notes:

1. Turnover represents the aggregate of gross interest income, dividend income, brokerage income, gross rental income, gross proceeds from share dealings, operating income from the provision of container transportation and storage services and sale of children's products, and financial advisory services income. Intra-group transactions have been eliminated.

2. **Operating profit**

Operating profit is stated after crediting the following:

	Six months ended 30th June	
	2000	1999
	HK$'000	HK$'000
Provision for doubtful debts written back	—	5,778

3. Hong Kong profits tax has been provided for at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period under review. No provision for Hong Kong profits tax had been made for the six months ended 30th June 1999, since the Group had available tax losses to set off 1999 profits. Provision for income tax outside Hong Kong has been calculated according to the tax rates applicable in the relevant jurisdictions.

4. The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders for the period of HK$28,880,210 (1999: profit of HK$31,128,300). The basic earnings per share are based on the weighted average number of 1,124,183,281 shares (1999: 1,027,738,205 shares) in issue during the period.

The diluted earnings per share is based on 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 45,995,186 ordinary shares deemed to be issued at no consideration if all outstanding share options and warrants had been exercised. Since the exercise prices of the Company's outstanding share options and warrants were much higher than the fair value per share of the Company during the six months ended 30th June 1999, diluted earnings per share is not shown as potential ordinary shares would have no dilutive effect.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (1999: Nil).

OPERATION REVIEW

The 2000 interim profit attributable to shareholders was HK$28.8 million as compared to HK$31.1 million for the same period of last year. The decline was primarily due to increase in marketing expenses to launch new products and overheads from the establishment of new production lines by the Group's joint ventures and for the development of information technology related business.

Turnover for the six months ended 30th June 2000 was HK$162.1 million which, when compared to HK$430.8 million for the same period last year, reflected the reclassification of the Group's investment in Goodbaby Child Products Company Limited ("Goodbaby") from subsidiary to jointly controlled entity as from November 1999. The results of Goodbaby have been equity accounted for during the period under review and this explained the substantial decrease in the Group's turnover, gross profit, distribution costs, administrative expenses and finance costs.

Financial Services

During the period under review, strong market sentiment resulted in more fund raising activities and pushed the Hang Seng Index to an all time high of about 18,301 points in March 2000. Performance of First Shanghai Capital Ltd. ("FSC") was encouraging and it remained an active player in the corporate finance field.

Shenzhen Genius Information Technology Co Ltd. ("Genius") is the leading content provider in securities financial information in China. A stable growth in revenue was recorded during the period under review. The Group had introduced a strategic investor to Genius in April 2000 and this will help to provide a solid foundation for its future expansion.

Child Products

The operating results of Goodbaby and RBI Holdings Limited were both affected by the increase in oil price and hence the cost of raw materials. Goodbaby has taken steps to launch new products and increase export sales as from the end of last year. Performance of Goodbaby Paragon Hygienic Products Company Limited ("Paragon") was not satisfactory due to keen market competition and low productivity.

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 Softbank Corporation), had put in approximately US$18 million to subscribe for Goodbaby's equity capital. The registration and approval procedures are expected to be completed by the end of this year. In addition, the Group had granted a 6% equity interest it held in Goodbaby to the management team of Goodbaby in view of their full support to the above-mentioned transaction and in lieu of management bonus to be paid in cash in the future.

Container Transportation

Performance of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC") during the period was satisfactory. Efforts were being made to improve its service quality so as to meet the requirements of e-commerce.

The Company proposed in May 2000 to acquire the equity interests in 10 PRC joint ventures held by its associated company, China Assets (Holdings) Limited, at a consideration of US$15 million. However, the proposal was not passed in the extraordinary general meeting of shareholders of China Assets (Holdings) Limited.

PROSPECTS

The financial services industry in Hong Kong is highly competitive. The management believes that the success of FSC lies in its ability and dedication to provide a full range of integrated top quality professional financial services. The management team of FSC has been further strengthened recently by the recruitment of several experienced professionals. The introduction of internet stockbroking services during the second quarter of 2000 serves to complement FSC's stockbroking business and will enhance its competitiveness. The Group plans to carry out the futures broking services in 2001 so as to offer a complete financial services to clients. Genius started in June 2000 to provide multi-media financial information to customers through Cable TV network in Shenzhen. The results is encouraging and Genius plans to further expand this business.

Goodbaby is optimistic with the export sales especially for the new products. It will continue to gear towards building a stronger product and brand image to maintain a leading position in domestic market. The e-commerce platform is under construction and the Group believes that the revolutionary channels of e-commerce will generate a significant portion of the incremental profit and revenue in future.

Taking advantage of the existing client base, transportation network and storage facilities, ZCIC plans to build an e-commerce logistic platform in Shanghai. Being the largest container transportation and freight forwarding company in Shanghai, ZCIC will benefit from the rapid growth in container transportation turnover in the region especially after China's joining the WTO in the near future.

The information technology industry is expected to continue to grow at an explosive rate in the coming year. With the rising popularity of internet usage and the expected relaxation of the relevant rules and regulations following the PRC's becoming a member of the WTO, the Group envisions great business opportunities in the fast growing e-commerce sector. Leveraging on its technical capabilities and leading position in the areas of financial services, manufacturing and distribution of children products and container transportation, the Group plans to build up on-line business on each of these sectors in the coming year. In July 2000, the Group has signed an ASP licence agreement with BroadVision Inc, a leading US listed company specializing in providing e-commerce one-to-one personalization solution, and becomes its first ASP partner in the mainland China. Starting from the fourth quarter of 2000, the Group will provide ASP services and e-transaction enabling and application services to clients especially in the sectors of financial services, manufacturing and distribution and container transportation where the Group has the in-depth business knowledge and extensive client base.

DEALINGS IN THE COMPANY'S SECURITIES

During the six months ended 30th June 2000, the Company repurchased its own shares on the Stock Exchange as follows:

Date	Number of shares	Price per share Highest	Price per share Lowest	Aggregate Consideration paid
		HK$	*HK$*	*HK$*
May 2000	432,000	0.56	0.53	234,258

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$86,400 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, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its securities listed on the Stock Exchange during the six months ended 30th June 2000.

YEAR 2000 COMPLIANCE

The Group has successfully made a smooth transition to the Year 2000. All business information systems and related computing equipment are operating normally.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE 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 Rules Governing the Listing of Securities on the Stock Exchange throughout the period.

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

Hong Kong, 18th September 2000