

## **Board of Directors**

CHAIRMAN & MANAGING DIRECTOR

Mr Lao Yuan Yi

DIRECTORS

Mr Jiang Guo Fang

Mr Lu Wen Qing

Prof. Woo Chia Wei

Mr Kwok Lam Kwong, Larry

Mr Xu Wei Ming

Mr Xin Shulin, Steve

Mr Yeung Wai Kin

Mr Hu Yi Ming

## **Company Secretary**

Mr Yeung Wai Kin

## **Registered Office**

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Website: [www.firstshanghai.com.hk](http://www.firstshanghai.com.hk)

## **Auditors**

PricewaterhouseCoopers

Certified Public Accountants, Hong Kong

## **Solicitors**

Richards Butler

Kwok & Yih

T.H. Koo & Associates

## **Principal Bankers**

Citic Ka Wah Bank Limited

The Kwangtung Provincial Bank

Standard Chartered Bank

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## **Registrars & Transfer Office**

Central Registration Hong Kong Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

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:

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

	<b>Six months ended</b>	
	<b>30th June</b>	
	<b>2000</b>	1999
	<b>HK\$'000</b>	<b>HK\$'000</b>
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.

## **DIRECTORS' INTERESTS IN SECURITIES**

At 30th June 2000, the interests of the directors in the shares and warrants of the Company or any of associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company were as follows:-

<u>Name of Directors</u>	<u>Number of ordinary shares</u>			<u>Amount of warrants</u>
	<u>Personal interests</u>	<u>Family interests</u>	<u>Corporate interests</u>	<u>HK\$ Corporate interests</u>
Mr Lao Yuan-Yi	40,000,000	—	74,508,000	13,630,080
Mr Xin Shulin, Steve	2,000,000	—	—	—
Prof. Woo Chia-Wei	—	72,000	—	—

Saved as disclosed above, none of the directors had any interests in the shares and warrants of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30th June 2000.

## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At 30th June 2000, the following directors of the Company held the following share options of the Company as recorded in the register required to be kept under Section 29 of the SDI Ordinance:

<u>Name of Directors</u>	<u>Date granted</u>	<u>Number of ordinary shares granted under the option</u>
Mr Lao Yuan-Yi	26th September 1995 - 1st November 1997	22,842,000
Mr Yeung Wai-Kin	26th September 1995 - 8th July 1998	13,895,864
Mr Xin Shulin, Steve	26th September 1995 - 8th July 1998	10,337,620
Mr Hu Yi-Ming	1st November 1997 - 8th July 1998	3,300,000

These represent the options granted in previous years which have not been exercised as at the period end date, and are exercisable at HK\$0.283 to HK\$0.816 per share with expiry dates between 7th October 2005 and 15th July 2008.

Save as disclosed above, none of the directors as at 30th June 2000 had any interest in securities of the Company or any of its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance or which was required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

At 30th June 2000, the following parties had or were deemed to have interests in the equity securities of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance:-

<u>Name of Shareholders</u>	<u>Number of ordinary shares in the Company</u>
China Assets (Holdings) Limited ("China Assets")	229,848,000
Mr Lao Yuan-Yi	114,508,000

The Group conversely holds 25,162,866 shares of China Assets, representing 33.82% interests in its issued share capital. Hence, China Assets has also been an associated company of the Group.

Apart from the above, so far as the directors are aware, there are no parties which were, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital of the Company as at 30th June 2000.

## 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:

<u>Date</u>	<u>Number of shares</u>	<u>Price per share</u>		<u>Aggregate</u>
		<u>Highest</u>	<u>Lowest</u>	<u>Consideration paid</u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
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.

## ISSUE OF WARRANTS

The Company placed 220,000,000 units of warrants at HK\$0.12 each in February 2000, the holders of which are entitled to subscribe for new shares at an initial subscription price of HK\$0.62 per share at any time from the date of issue up to and including 1st August 2001. The net proceeds from the placing of approximately HK\$25 million has been used for general working capital of the Company. Details of this placing are set out in the announcement made by the Company dated 18th December 1999.

## 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