

## FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

## 2003 FINAL RESULTS ANNOUNCEMENT

### RESULTS

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

	Note	2003 HK\$	Restated 2002 <i>HK</i> \$
Turnover Cost of sales	1	281,350,560 (176,921,590)	171,614,459 (121,252,957)
Gross profit Other revenue Distribution costs Administrative expenses Other operating expenses Other operating income		104,428,970 3,527,777 (95,591) (97,785,257) (21,531,507) 35,357,613	50,361,502 5,247,321 (49,349) (68,569,290) (6,448,581) 12,927,679
Operating profit/(loss) Finance costs Share of profits less losses of Associated companies Jointly controlled entities	1 & 2	23,902,005 (1,882,046) 42,524,823 42,964,659	(6,530,718) (262,113) 34,119,097 34,484,101
Profit before taxation Taxation	3	107,509,441 (16,207,992)	61,810,367 (12,448,873)
Profit after taxation Minority interests		91,301,449 2,518,174	49,361,494 (38,809)
Profit attributable to shareholders		93,819,623	49,322,685
Dividends — proposed		14,084,300	11,733,237
Basic earnings per share	4	8.00 cents	4.35 cents
Fully diluted earnings per share	4	7.88 cents	4.30 cents

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

#### Primary reporting format — business segments

	Securities trading and investment HK\$	Corporate finance and	Container transportation and freight forwarding services HK\$	Investment holding, property holding and management HK\$	Sales of child products  HK\$	Group HK\$
For the year ended 31st December 2003	140 160 506	00 224 240	42 405 012	1.247.002		201 250 500
Turnover	148,162,526	89,324,240	42,495,812	1,367,982		281,350,560
Segment results	12,668,217	27,166,045	(3,368,523)	(16,091,511)		20,374,228
Interest income						3,527,777
Finance costs Share of profits less losses of						(1,882,046)
Associated companies     Jointly controlled entities	_	_	_	22,549,231 3,355,279	19,975,592 39,609,380	42,524,823 42,964,659
·	_	_	_	3,333,219	39,009,380	
Profit before taxation Taxation						107,509,441 (16,207,992)
Profit after taxation Minority interests						91,301,449 2,518,174
Profit attributable to shareholders						93,819,623
For the year ended 31st December 2002						
Turnover	77,791,005	50,716,287	42,206,430	900,737		171,614,459
Segment results	(5,559,266)	12,451,707	650,308	(19,320,788)		(11,778,039)
Interest income Finance costs						5,247,321 (262,113)
Share of profits less losses of				7.722.607	26 205 400	24 110 007
<ul> <li>Associated companies</li> <li>Jointly controlled entities</li> </ul>	_	_	_	7,723,607 1,900,673	26,395,490 32,583,428	34,119,097 34,484,101
Profit before taxation Taxation						61,810,367 (12,448,873)
Profit after taxation Minority interests						49,361,494 (38,809)

Profit attributable to shareholders

Secondary reporting format — geographical segments				
	Turnover		Segment results	
	2003 HK\$	2002 <i>HK</i> \$	2003 HK\$	2002 <i>HK</i> \$
Hong Kong Chinese Mainland Others	237,834,002 43,007,178 509,380	128,113,321 42,936,162 564,976	51,813,230 (26,799,159) (4,639,843)	(8,072,821) (1,627,612) (2,077,606)
	281,350,560	171,614,459	20,374,228	(11,778,039)
Interest income			3,527,777	5,247,321
Operating profit/(loss)			23,902,005	(6,530,718)
Operating profit/(loss)				
			2003 HK\$	2002 <i>HK</i> \$
Operating profit/(loss) is stated after crediting and charging the follow <b>Crediting:</b>	ving:—			
Interest income			10,010,082	7,339,315
Dividend income from listed investments			786,855	367,396
Gross rental income from investment properties			308,256	214,707
Gain on disposal of investment securities			1,439,257	7,926,311
Gain on disposal of other investment			13,259,391	_
Gain on disposal of certain interest in an associated company			6,001,759	118,851
Gain on disposal of fixed assets			_	34,271
Net exchange gain			_	89,620
Amortisation of negative goodwill on acquisition of a subsidiary and partial interest in a jointly controlled entity			3,178,291	2,958,379
Charging:				
Depreciation			8,488,518	10,498,929
Loss on disposal of fixed assets			36,499	_
Amortisation of trading right			163,764	163,763
Amortisation of goodwill on acquisition of subsidiaries, an associat	ted			
company and partial interest in joint controlled entities			19,809,080	1,040,841

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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 profit and loss account represents

	2003 HK\$	Restated 2002 HK\$
Hong Kong profits tax Current Overprovision in prior years	4,425,637	2,302,036 (314,711)
Overseas taxation Current	(215,190)	106,548
Deferred taxation	42,216	(112,944)
Share of taxation attributable to: Associated companies Jointly controlled entities	4,323,508 	4,002,649 6,465,295
	16,207,992	12,448,873

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$93,819,623 (2002: HK\$49,322,685). The basic earnings per share is based on the weighted average number of 1,173,402,915 (2002: 1,132,934,664) shares in issue during the year. The diluted earnings per share is based on 1,190,206,060 (2002: 1,146,827,368) shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 16,803,145 (2002: 13,892,704) ordinary shares deemed to be issued at no consideration if all outstanding options

# Contingent liabilities

HK\$ Guarantee for bank loans of a jointly controlled entity 2,830,200

## DIVIDEND

The Directors have recommended the payment of a final dividend of HK\$0.012 (2002: HK\$0.01) per ordinary share, totalling HK\$14,084,300 (2002: HK\$11,733,237).

### BUSINESS REVIEW

The year of 2003 is a remarkable year for the Company. As expected, the Hong Kong economy is recovering from the worst situation during the SARS outbreak in the first half of the year. After the signing of the Closer Economic Partnership Arrangement with Chinese Mainland, improvement in market sentiment came in the third quarter and became more evident by the hectic IPO activities at the end of the year. The expansion in our brokerage team and the enlargement of the Group's investment portfolios have just grasped the upturn in Hong Kong stock market and made a substantive contribution to the Group's profit.

Facing the keen competition, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. ("ZCIC") is restructuring its existing businesses and strengthening its management team to cope with the market changes. Due to the increase in administration cost for restructuring and the lessening in profit margin, ZCIC suffered a loss in 2003.

During the year, China Assets (Holdings) Ltd. ("China Assets") disposed of its interest in certain investment projects and recorded a remarkable profit of approximately USD10 million.

Goodbaby Child Products Co. Ltd. ("Goodbaby") maintained its leading position in the industry and continues to contribute stable return to the Group

RBI Holdings Ltd ("RBI") was affected by the high material costs in the year. However, this negative factor was compensated by the enhancement in efficiency and RBI managed to maintain its gross profit margin. Due to additional provision for possible loss from non-

recoverable debts, RBI recorded a slightly drop in profit. The automotive industry in Chinese Mainland achieved a new record in output and sales of motor vehicles in 2003. Chinese Mainland has become the third largest country in terms of sales of motor vehicles in the world. Benefited from the increase in the market demand, Zhejiang Shaoxing Betung Instrument Company Limited ("Betung") experienced impressive growth in both turnover and operating profit in the year. With the confidence that the autopart industry in China will continue to growth in future, we have acquired an additional 32% interest in Betung in December 2003.

The litigation for recovery of the deposit of 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

Hong Kong economy is on its way to recovery. Low interest rate environment and rapid economic growth in Chinese Mainland are favourable factors to attract the inflow of international funds to Hong Kong stock market. We are optimistic that the Group's financial services operation will be benefited by these factors and generate a reasonable growth in 2004.

After divestment of certain existing investments, China Assets will focus on seeking new investment opportunities in a few selected valueadded industries to achieve higher returns in future.

The development of SOHO type properties in Shanghai Zhangjiang High-tech Park is in a good progress. As scheduled, part of the properties will be completed in 2004. The development of a hotel in Kunshan Economy & Technology Development District is within schedule

Benefiting from relatively strong economic growth in Chinese Mainland, we believe that Goodbaby and Betung will still perform well in 2004. To improve the performance in 2004, ZCIC will make good efforts to strengthen its efficiency and to reduce its operating cost.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Results

For the year ended 31st December 2003, the Group recorded a turnover of HK\$281 million and profit attributable to shareholders of HK\$94 million as compared to HK\$172 million and HK\$49 million respectively in 2002. Basic earnings per share increased from HK4.35 cents in 2002 to HK8.00 cents in 2003, up by 84%.

### Major acquisitions

In July 2003, the Group acquired an additional 6.88% equity interest in Geoby International Holdings Limited ("Geoby"), the immediate holding company of Goodbaby Child Products Company Limited ("Goodbaby") at a cash consideration of approximately US\$3.8 million. After the acquisition, the Company has 63.83% shareholding in Geoby and which representing 49.5% effective equity interest in Goodbaby.

In December 2003, the Group acquired an additional 32% equity interest in Betung at a cash consideration of HK\$11.7 million. After the completion, the Group has 73% shareholding in Betung.

## Disposal of other investments and certain interest in an associate company

In June 2003, the Group disposed of approximately 5% equity interest in RBI to realise part of return on this investment at a consideration of HK\$41 million. A gain on disposal of approximately HK\$6 million was achieved. After the disposal, the Group holds approximately 20%

In December 2003, the Group disposed of its 40% interest in BonVision Technology Limited, a company engaged in sales of software and providing IT consultancy services. The proceed and gain on this disposal amounted to HK\$19.5 million and HK\$13.3 million respectively.

## Liquidity and financial resources

Principally the operation and investment activities of the Group were financed by internal resources. However, the demand for margin loan from our securities clients raised substantially for various IPO activities in the 4th quarter of 2003, bank loans amounted to HK\$120 million were borrowed to meet clients' sudden needs. The Group's principal operations are mainly transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2003, the Group had cash and bank balances of approximately HK\$310 million, investment in marketable securities of HK\$28 million and a gearing ratio (total liabilities excluding minority interest to shareholders' funds) of 33%. The Group's deposits are placed with our principal bankers at competitive time deposit interest rate.

Certain properties of the Group with an aggregate net book value of approximately HK\$102 million as at 31st December 2003 (2002: HK\$93 million) as well as fixed deposits of HK\$15 million (2002: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$129 million (2002: HK\$120 million) granted to the Group.

Investment securities amount to HK\$7.5 million was pledged as securities against a short term bank loan of HK\$70 million.

## **Employees**

49,322,685

As at 31st December 2003, the Group employed 1,591 staff, of which 1,505 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 shares option scheme. Training courses are provided to staff where necessary.

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

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 year ended 31st December 2003.

## PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION

The board of directors of the Company proposes to amend the Articles of Association of the Company to comply with the new requirements of Appendix 3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Future

A circular giving details of the proposed amendment of the Articles of Association of the Company, and incorporating a notice of the extraordinary general meeting will be sent to shareholders shortly.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14th May 2004 to Wednesday, 19th May 2004, 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, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 13th May 2004. Subject to shareholders' approval of payment of the final dividend, dividend warrants will be dispatched on 9th June 2004.

# 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 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.

## PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The Year 2003 Annual Report containing the information required by paragraphs 45(1) to 45(3) 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) in due course.

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

As at the date of this announcement, the Board comprises Mr. Lao Yuan Yi, Mr. Xin Shulin, Steve, Mr. Yeung Wai Kin, Mr. Hu Yi Ming, Prof. Woo Chia Wei, Mr. Kwok Lam Kwong, Larry and Mr. Liu Ji.

Hong Kong, 13th April 2004

## 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 Wednesday,19th May 2004 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 2003. To re-elect those Directors retiring in accordance with the Articles of Association and fix their remuneration
- To declare a final dividend of HK\$0.012 per share for the year ended 31st December 2003
- To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.

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

Hong Kong, 13th April 2004

# Registered Office:

2002

HK\$

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.