



第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

2002 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 December 2002 as follows:

	<i>Note</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Turnover	<i>1</i>	171,614,459	298,331,527
Cost of sales		(121,252,957)	(249,232,710)
Gross profit		50,361,502	49,098,817
Other revenue		5,247,321	8,962,528
Distribution costs		(49,349)	(68,200)
Administrative expenses		(68,569,290)	(74,946,109)
Other operating expenses		(6,448,581)	(8,183,117)
Other operating income		12,927,679	42,320,962
Operating (loss)/profit	<i>1 & 2</i>	(6,530,718)	17,184,881
Finance costs		(262,113)	(260,603)
Share of profits less losses of			
Associated companies		34,119,097	31,520,305
Jointly controlled entities		34,484,101	29,517,397
Profit before taxation		61,810,367	77,961,980
Taxation	<i>3</i>	(12,842,567)	(11,821,386)
Profit after taxation		48,967,800	66,140,594
Minority interests		(38,809)	(1,350,432)
Profit attributable to shareholders		48,928,991	64,790,162
Dividends — proposed		11,733,237	16,969,856
Basic earnings per share	<i>4</i>	4.32 cents	5.77 cents
Fully diluted earnings per share	<i>4</i>	4.27 cents	5.70 cents

Notes :

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

Primary reporting format — business segments

	Securities trading and investment HK\$	Container transportation and freight forwarding services HK\$	Corporate finance and stockbroking HK\$	Investment holding, property holding and management HK\$	Sales of child products HK\$	Others HK\$	Group HK\$
For the year ended 31st December 2002							
Turnover	<u>77,791,005</u>	<u>42,206,430</u>	<u>50,716,287</u>	<u>900,737</u>	<u>—</u>	<u>—</u>	<u>171,614,459</u>
Segment results	<u>(5,559,266)</u>	<u>650,308</u>	<u>12,451,707</u>	<u>(19,320,788)</u>	<u>—</u>	<u>—</u>	<u>(11,778,039)</u>
Interest income							5,247,321
Finance costs							(262,113)
Share of profits less losses of							
— Associated companies	—	—	—	7,723,607	26,395,490	—	34,119,097
— Jointly controlled entities	—	—	—	1,900,673	32,583,428	—	34,484,101
Profit before taxation							61,810,367
Taxation							(12,842,567)
Profit after taxation							48,967,800
Minority interests							(38,809)
Profit attributable to shareholders							<u>48,928,991</u>
For the year ended 31st December 2001							
Turnover	<u>214,275,815</u>	<u>49,015,752</u>	<u>33,461,295</u>	<u>965,120</u>	<u>—</u>	<u>613,545</u>	<u>298,331,527</u>
Segment results	<u>2,259,222</u>	<u>4,252,693</u>	<u>(2,061,828)</u>	<u>4,239,458</u>	<u>—</u>	<u>(467,192)</u>	<u>8,222,353</u>
Interest income							8,962,528
Finance costs							(260,603)
Share of profits less losses of							
— Associated companies	—	—	—	3,110,366	28,409,939	—	31,520,305
— Jointly controlled entities	—	—	—	(2,431,758)	31,949,155	—	29,517,397
Profit before taxation							77,961,980
Taxation							(11,821,386)
Profit after taxation							66,140,594
Minority interests							(1,350,432)
Profit attributable to shareholders							<u>64,790,162</u>

Secondary reporting format — geographical segments

	Turnover		Segment results	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Hong Kong	128,113,321	248,485,716	(8,072,821)	(8,060,071)
Chinese Mainland	42,936,162	49,383,373	(1,627,612)	21,472,104
Others	564,976	462,438	(2,077,606)	(5,189,680)
	<u>171,614,459</u>	<u>298,331,527</u>	<u>(11,778,039)</u>	<u>8,222,353</u>
Interest income			<u>5,247,321</u>	<u>8,962,528</u>
Operating (loss)/profit			<u>(6,530,718)</u>	<u>17,184,881</u>

2. Operating (loss)/profit

	2002 HK\$	2001 HK\$
Operating (loss)/profit is stated after crediting and charging the following:—		

Crediting:

Interest income	7,339,315	9,808,758
Dividend income from listed investments	367,396	466,466
Gross rental income from investment properties	214,707	771,074
Gain on disposal of a subsidiary	—	10,117,145
Gain on disposal of jointly controlled entities	—	26,729,218
Gain on disposal of investment securities	7,926,311	1,141,762
Gain on disposal of partial interest in an associated company	118,851	—
Gain on disposal of fixed assets	34,271	—
Net exchange gain	89,620	708,223
Amortisation of negative goodwill on acquisition of partial interest in a jointly controlled entity	2,958,379	—

Charging:

Depreciation	10,498,929	10,748,021
Loss on disposal of fixed assets	—	163,226
Realised loss on portfolio management	—	3,913,897
Amortisation of trading right	163,764	81,882
Amortisation of goodwill on acquisition of a subsidiary, an associated company and partial interest in a jointly controlled entity	1,040,841	115,282

3. Hong Kong profits tax has been provided for at the rate of 16% (2001: 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 profit and loss account represents:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Hong Kong profits tax		
Current	2,302,036	386,569
Overprovision in prior years	(314,711)	(239,684)
Overseas taxation		
Current	106,548	954,249
Share of taxation attributable to:		
Associated companies	4,283,399	3,841,215
Jointly controlled entities	6,465,295	6,879,037
	<u>12,842,567</u>	<u>11,821,386</u>

4. The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$48,928,991 (2001: HK\$64,790,162). The basic earnings per share is based on the weighted average number of 1,132,934,664 (2001: 1,123,511,672) shares in issue during the year. The diluted earnings per share is based on 1,146,827,368 (2001: 1,137,536,221) shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 13,892,704 (2001: 14,024,549) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

5. **Contingent liabilities**

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Guarantee for bank loans of a jointly controlled entity	<u>2,830,200</u>	<u>—</u>
The Group's share of contingent liabilities of an associated company	<u>—</u>	<u>16,959,961</u>

DIVIDEND

The Directors have recommended the payment of a final dividend of HK\$0.01 (2001: HK\$0.015) per ordinary share, totalling HK\$11,733,237 (2001: HK\$16,969,856).

BUSINESS REVIEW

The Group's consolidated turnover and profit attributable to shareholders for the year ended 31st December 2002 amounted to HK\$172 million and HK\$49 million respectively, representing a decrease of 43% and 25% from that of last year. The decrease in turnover is mainly due to the adoption of a more conservative strategy in securities trading and investment business.

Despite the contraction of the average daily turnover of the Hong Kong stock market from HK\$8,025 million to HK\$6,474 million, number of newly listed companies in 2002 substantially increased to 117 from 67 of last year. Benefited from the active IPO activities, we have completed four sponsorships of IPO in 2002 and recorded a remarkable growth in both advisory income and underwriting fee. Our Corporate Finance Division has been granted the FinanceAsia Awards of “The Best Small Cap IPO in 2002” for our outstanding performance in the listing of Harbin Brewery Group Limited. This recognition reinforces our belief on our strategy of assisting the fund raising transactions of quality PRC companies with competent management and sound growth potential.

2002 is another good year for the automotive industry in China as the sales of motor vehicle is continuing to grow rapidly. Being the leader in the vehicle instruments industry, Zhejiang Shaoxing Betung Instrument Company Limited (“Shaoxing Betung”) reported impressive growth in both turnover and profit in the year.

Our subsidiary, Shanghai Zhong Chuang International Container Storage and Transportation Co. Ltd. (“ZCIC”) is facing a very keen competition in Shanghai, especially in the container transportation business. Turnover was affected but ZCIC remains profitable in the year.

Goodbaby Child Products Co. Ltd. (“Goodbaby”) recorded a steady growth in both turnover and profit attributable to shareholders mainly due to the increase in export sales.

The investee companies of China Assets (Holdings) Ltd. (“China Assets”) continue to contribute stable return to China Assets in the year. In addition, the disposal of a toll road brought an additional income to China Assets. The performance of RBI Holdings Limited remains stable in the year.

PROSPECTS

The uncertainties over the economic performance in the United States and the likely continuation of deflation and high unemployment rate will continue to affect the corporate finance and stockbroking business. Despite of all the political and economic uncertainties, our Corporate Finance Division continues to adopt the strategy of seeking small to medium sized PRC companies with good quality to list in Hong Kong. Facing keen competition within the stock brokerage industry, more seminars and other promotion activities will be held to expand our client base.

To improve its profitability, ZCIC is redirecting its resources to the profitable business segments and adopting new procedures to control the cost. After obtaining an air freight forwarding licence in Shanghai, ZCIC is promoting its new service and expected to improve the performance by providing a full range of cargo transportation and freight forwarding services to our clients.

The Group has recently invested RMB35.6 million in a 50% owned joint venture to develop a SOHO type of properties in Shanghai Zhangjiang High-tech Park. Zhangjiang High-tech Park is located in the centre of Pudong that boasts convenient traffic location and superior geographical location. Shanghai’s property market is developing healthily and we expect this investment will bring a new source of income to the Group.

The Group is developing in Kunshan Economy & Technology Development District a four-star hotel which will be managed by Shangri-la. We believe that after the completion of the hotel at the end of 2004, it will bring a reasonable return and a steady cash flow to the Group.

With the accession to the WTO, the PRC economy continues to maintain its rapid growth trend and this will benefit the operation of Goodbaby and China Assets. By way of integrating internal and external resources, and strengthening of the management capability, we aim at improving the consolidated strength and competitiveness of various business segments, so as to ultimately achieve maximum return to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2002, the Group recorded a turnover of HK\$172 million and profit attributable to shareholders of HK\$49 million as compared to HK\$298 million and HK\$65 million respectively in 2001. Basic earnings per share decreased from HK\$5.77 cents in 2001 to HK\$4.32 cents in 2002, down by 25%.

Acquisition of a subsidiary

In December 2002, the Group acquired the entire interest of Shanghai Transvision Network Application Services Company Limited (“Transvision”) at a total consideration of HK\$50,000,000. Transvision, its subsidiary and its associated company engage in the business of providing consultancy service on the provision of logistic information; to research and develop system software for logistics and insurance business; and to provide insurance brokerage service. The expertise of Transvision in logistics and insurance sectors in Shanghai is expected to contribute tremendously to the development of the Company’s industry network and revenue base in Shanghai.

Disposal of long term listed shares

During the year, the Group disposed of some US listed shares which were held for long term investment purpose. The sale proceed and gain on the disposal amounted to approximately HK\$17.1 million and HK\$7.6 million respectively.

Liquidity and financial resources

The operation and investment activities of the Group were principally financed by internal resources. The Group’s principal operations are mainly transacted and recorded in Hong Kong dollars and Renminbi. As at 31st December 2002, the Group had cash and bank balances of approximately HK\$254 million, investment in marketable securities of HK\$23 million and a gearing ratio (total liabilities excluding minority interest to shareholders’ funds) of 3.7%. The Group’s deposits are placed with our principal bankers at competitive time deposit interest rate.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK\$93 million as at 31st December 2002 (2001: HK\$95 million) as well as fixed deposits of HK\$15 million (2001: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$120 million (2001: HK\$120 million) granted to the Group.

Employees

As at 31st December 2002, the Group employed 517 staff, of which 442 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 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20th May 2003 to Friday, 23rd May 2003, 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 Monday, 19th May 2003. Subject to shareholders' approval of payment of the final dividend, dividend warrants will be dispatched on 10th June 2003.

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 2002 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

Hong Kong, 11th April 2003

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 Friday, 23rd May 2003 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31st December 2002.
2. To re-elect those Directors retiring in accordance with the Articles of Association and fix their remuneration.
3. To declare a final dividend of HK\$0.01 per share for the year ended 31st December 2002.
4. To re-appoint the Auditors of the Company and to authorize the Board of Directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase its shares subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
 - (b) 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
 - (c) for the purpose of this Resolution, ‘Relevant Period’ means the period from the passing of this Resolution until the earlier of:
 - (i) the conclusion of the next annual general meeting;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meetings; and
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held.”
6. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT

- (a) 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;

- (b) 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;
 - (c) 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
 - (d) for the purpose of this Resolution, “Relevant Period” shall have the same meaning as in resolution no. 5(c).”
7. As special business to consider and, if thought fit, to 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.”

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

Hong Kong, 11th April 2003

Registered Office:

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

Notes:

1. The register of members of the Company will be closed from Tuesday, 20th May 2003 to Friday, 23rd May 2003, 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, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Monday, 19th May 2003.
2. 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.
3. 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.

Please also refer to the published version of this announcement in The Standard.