CHAIRMAN'S STATEMENT

I am pleased to report another year of solid performance for First Shanghai Investments Limited. Net profit attributable to shareholders for the year ended 31st December 2000 amounted to HK$58.4 million, up 7.5% from last year. Turnover of the Group in 2000 decreased to HK$305 million, down 57% from 1999. The decrease in turnover reflected the reclassification of the Group's investment in Goodbaby Child Products Co Ltd ("Goodbaby") from subsidiary to jointly controlled entity as from November 1999.

DIVIDEND

The Directors recommended a final dividend of HK$0.015 per share for the year ended 31st December 2000 in the forthcoming Annual General Meeting.

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.

During the year, 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 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.

CHAIRMAN'S STATEMENT

Being the largest container port in the Chinese Mainland, 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 to 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 the Chinese Mainland.

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.

Acknowledgement

On behalf of the Board of Directors, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and contributions. I also wish to express many sincere thanks to the shareholders for their continued confidence and support to the Group.

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 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.

CHAIRMAN'S STATEMENT

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 to the maximum extent of HK$70 million (1999: Nil).

LAO Yuan-Yi
Chairman and Managing Director

Hong Kong, 20th April 2001