



# FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2007

The Board of Directors (the “Board”) of First Shanghai Investments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (together, the “Group”) for the six months ended 30th June 2007 together with the comparative figures for the corresponding period last year as follows:

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Unaudited Six months ended 30th June	
		2007 HK\$'000	2006 HK\$'000 (Restated)
<b>Continuing operations:</b>			
Revenue	4	343,069	726,186
Cost of sales		(96,126)	(620,871)
Gross profit		246,943	105,315
Other gains — net	5	150,252	11,865
Selling and distribution costs		(2,600)	(3,086)
Administrative expenses		(130,030)	(115,846)
Operating profit/(loss)	4 and 6	264,565	(1,752)
Finance costs		(14,818)	(9,472)
Share of profits less losses of			
— Associated companies		(1,445)	(17,951)
— Jointly controlled entities		260	9,408
Profit/(loss) before taxation		248,562	(19,767)
Taxation	8	(8,310)	(1,526)
Profit/(loss) for the period from continuing operations		240,252	(21,293)
<b>Discontinued operations:</b>			
Profit for the period from discontinued operations		—	107,437
<b>Profit for the period</b>		<b>240,252</b>	<b>86,144</b>
<b>Attributable to:</b>			
Shareholders of the Company		244,165	89,888
Minority interests		(3,913)	(3,744)
		<b>240,252</b>	<b>86,144</b>
<b>Basic earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period</b>			
— Continuing operations		HK20.10 cents	HK(1.49) cents
— Discontinued operations		—	HK9.09 cents
	10	<b>HK20.10 cents</b>	<b>HK7.60 cents</b>
<b>Diluted earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period</b>			
— Continuing operations		HK19.86 cents	HK(1.45) cents
— Discontinued operations		—	HK8.90 cents
	10	<b>HK19.86 cents</b>	<b>HK7.45 cents</b>
Interim dividend	9	27,320	23,701

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets	11	3,393	3,393
Property, plant and equipment	11	58,600	268,340
Investment properties	11	39,828	39,828
Leasehold land and land use rights	11	49,342	67,478
Investments in associated companies		382,049	297,570
Investments in jointly controlled entities		75,100	72,336
Deferred tax assets		1,328	1,231
Available-for-sale financial assets		420,377	115,033
Loans receivable	12	29,340	28,266
		1,059,357	893,475
<b>Current assets</b>			
Inventories		19,041	18,892
Loans and advances		311,691	206,961
Trade receivables	13	1,289,015	157,563
Other receivables, prepayments and deposits		310,831	180,794
Tax recoverable		389	374
Financial assets at fair value through income statement		249,396	157,904
Cash and cash equivalents		831,557	476,142
		3,011,920	1,198,630
<b>Current liabilities</b>			
Trade and other payables	14	500,627	224,258
Amount due to a related party	15	1,947	—
Taxation payable		27,328	24,242
Short-term bank borrowings, unsecured		933,592	2,989
		1,463,494	251,489
<b>Net current assets</b>		1,548,426	947,141
<b>Total assets less current liabilities</b>		2,607,783	1,840,616
<b>Non-current liabilities</b>			
Deferred tax liabilities		414	496
Long-term bank borrowings, secured		—	144,449
Convertible bonds	17	29,481	—
		29,895	144,945
<b>Net assets</b>		2,577,888	1,695,671
<b>Equity</b>			
Share capital	16	273,204	238,773
Reserves		2,249,256	1,383,640
Capital and reserves attributable to the Company's shareholders		2,522,460	1,622,413
Minority interests		55,428	73,258
<b>Total equity</b>		2,577,888	1,695,671

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<b>(59,351)</b>	(92,712)
Net cash generated from investing activities	<b>195,890</b>	394,930
Net cash generated from/(used in) financing activities	<b>220,113</b>	(17,900)
<b>Net increase in cash and cash equivalents and bank overdrafts</b>	<b>356,652</b>	284,318
Cash and cash equivalents and bank overdrafts at 1st January	<b>476,142</b>	149,990
Exchange losses on cash and cash equivalents and bank overdrafts	<b>(1,237)</b>	(1,265)
<b>Cash and cash equivalents and bank overdrafts at 30th June</b>	<b>831,557</b>	433,043
<b>Analysis of balances of cash and cash equivalents and bank overdrafts</b>		
Cash at bank and in hand	<b>86,409</b>	209,623
Bank deposits with original maturities within three months	<b>730,148</b>	207,750
Pledged bank deposits	<b>15,000</b>	15,799
Cash and cash equivalents	<b>831,557</b>	433,172
Bank overdrafts	<b>—</b>	(129)
	<b>831,557</b>	433,043

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to shareholders of the Company									Minority interests	Total	
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Convertible bonds equity reserve	Exchange fluctuation reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January 2007	238,773	597,406	16,498	164,364	14,006	12,262	41,272	—	22,020	515,812	73,258	1,695,671
Issue of new shares on placement	19,000	175,750	—	—	—	—	—	—	—	—	—	194,750
Issue of new shares on exercise of share options	15,431	40,045	(11,609)	—	—	—	—	—	—	—	—	43,867
Employees share option benefits	—	—	9,568	—	—	—	—	—	—	—	—	9,568
Recognition of equity components of convertible bonds	—	—	—	—	—	—	—	2,382	—	—	—	2,382
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	551	—	—	551
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(2,917)	—	(27,506)	(30,423)
Capital contribution to a subsidiary by its minority shareholders	—	—	—	—	—	—	—	—	419	—	11,853	12,272
Share of post-acquisition reserves of an associated company	—	—	—	90,038	—	—	—	—	—	—	—	90,038
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	306,621	—	—	—	—	306,621
Reserve realised upon disposal of available-for-sale financial assets	—	—	—	—	—	—	563	—	—	—	—	563
Currency translation differences	—	—	—	(561)	—	—	—	—	16,731	—	1,736	17,906
Profit for the period	—	—	—	—	—	—	—	—	—	244,165	(3,913)	240,252
2006 final dividend paid	—	—	—	—	—	—	—	—	—	(6,130)	—	(6,130)
Balance at 30th June 2007	<u>273,204</u>	<u>813,201</u>	<u>14,457</u>	<u>253,841</u>	<u>14,006</u>	<u>12,262</u>	<u>348,456</u>	<u>2,382</u>	<u>36,804</u>	<u>753,847</u>	<u>55,428</u>	<u>2,577,888</u>
Retained by:												
Company and subsidiaries	273,204	813,201	14,457	31,493	14,006	12,262	348,456	2,382	26,189	487,659	55,428	2,078,737
Associated companies	—	—	—	222,182	—	—	—	—	3,178	125,688	—	351,048
Jointly controlled entities	—	—	—	166	—	—	—	—	7,437	140,500	—	148,103
Balance at 30th June 2007	<u>273,204</u>	<u>813,201</u>	<u>14,457</u>	<u>253,841</u>	<u>14,006</u>	<u>12,262</u>	<u>348,456</u>	<u>2,382</u>	<u>36,804</u>	<u>753,847</u>	<u>55,428</u>	<u>2,577,888</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY *(Continued)*

	Unaudited Attributable to shareholders of the Company									Minority interests	Total
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Employee share-based compensation reserve <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Assets revaluation reserve <i>HKS'000</i>	Investment revaluation reserve <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>	Retained earnings <i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Balance at 1st January 2006	236,406	596,020	2,508	95,779	14,006	12,262	5,119	17,037	362,036	72,287	1,413,460
Issue of new shares	608	358	—	—	—	—	—	—	—	—	966
Employees share option benefits	—	—	12,875	—	—	—	—	—	—	—	12,875
Capital reserve realised upon disposal of jointly controlled entities	—	—	—	35,279	—	—	—	(7,699)	(35,310)	—	(7,730)
Share of post-acquisition reserves of an associated company	—	—	—	8,259	—	—	—	—	—	—	8,259
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	9,053	—	—	—	9,053
Currency translation differences	—	—	—	3	—	—	—	292	—	2,872	3,167
Profit for the period	—	—	—	—	—	—	—	—	89,888	(3,744)	86,144
2005 final dividend paid	—	—	—	—	—	—	—	—	(17,758)	—	(17,758)
<b>Balance at 30th June 2006</b>	<b><u>237,014</u></b>	<b><u>596,378</u></b>	<b><u>15,383</u></b>	<b><u>139,320</u></b>	<b><u>14,006</u></b>	<b><u>12,262</u></b>	<b><u>14,172</u></b>	<b><u>9,630</u></b>	<b><u>398,856</u></b>	<b><u>71,415</u></b>	<b><u>1,508,436</u></b>
Retained by:											
Company and subsidiaries	237,014	596,378	15,383	26,946	14,006	12,262	14,172	6,488	333,738	71,415	1,327,802
Associated companies	—	—	—	112,209	—	—	—	674	50,252	—	163,135
Jointly controlled entities	—	—	—	165	—	—	—	2,468	14,866	—	17,499
<b>Balance at 30th June 2006</b>	<b><u>237,014</u></b>	<b><u>596,378</u></b>	<b><u>15,383</u></b>	<b><u>139,320</u></b>	<b><u>14,006</u></b>	<b><u>12,262</u></b>	<b><u>14,172</u></b>	<b><u>9,630</u></b>	<b><u>398,856</u></b>	<b><u>71,415</u></b>	<b><u>1,508,436</u></b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. General information

First Shanghai Investments Limited (the “Company”) and its subsidiaries, associated companies and jointly controlled entities (together, the “Group”) are principally engaged in securities trading and investment, corporate finance and stockbroking, property development and investments, hotel operation, container transportation and freight forwarding services, motor vehicle meters and components manufacturing, and investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated.

### 2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This unaudited condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31st December 2006.

### 3. Accounting policies

The accounting policies adopted are consistent with those as described in the annual financial statements for the year ended 31st December 2006 with the additions of the following new Standards, amendments and interpretations to existing Standards which are mandatory for financial year ending 31st December 2007. The adoption of such new Standards, amendments and interpretations to existing Standards does not result in substantial changes to the Group’s accounting policies and has no significant effect on the interim results.

- HKAS 1 (Amendment) Capital Disclosures
- HKFRS 7 Financial Instruments: Disclosures
- HK(IFRIC) — Int 8 Scope of HKFRS 2: Share-based payment
- HK(IFRIC) — Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC) — Int 10 Interim Financial Reporting and Impairment

The new interpretation to existing Standard, HK(IFRIC) — Int 7, “Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies”, is mandatory for financial year ending 31st December 2007 but is not relevant to the Group.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

### 3. Accounting policies *(Continued)*

The following new Standards and interpretations to existing Standards have been issued but are not effective for 2007 and have not been early adopted:

- HKFRS 8 Operating Segments
- HK(IFRIC) — Int 11 HKFRS 2 — Group and Treasury Share Transactions
- HK(IFRIC) — Int 12 Service Concession Arrangements

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 4. Segment information

The Group has determined the business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties and leasehold land and land use rights.

In respect of geographical segment reporting, revenue is based on the country in which the customers are allocated.

#### ***Primary reporting format – business segments***

The Group is organised into seven main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Property development and investments
- Hotel operation
- Container transportation and freight forwarding services
- Motor vehicle meters and components manufacturing
- Investment holding and management

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 4. Segment information (Continued)

#### Primary reporting format – business segments (Continued)

The unaudited segment results, capital expenditure, depreciation and amortisation of leasehold land and land use rights of the Group for the six months ended 30th June 2007 are as follows:

	Securities trading and investment <i>HKS'000</i>	Corporate finance and stockbroking <i>HKS'000</i>	Property development and investments <i>HKS'000</i>	Hotel operation <i>HKS'000</i>	Container transportation and freight forwarding services <i>HKS'000</i>	Motor vehicle meters and components manufacturing <i>HKS'000</i>	Investment holding and management <i>HKS'000</i>	Group <i>HKS'000</i>
Revenue	<u>52,671</u>	<u>138,100</u>	<u>1,450</u>	<u>26,724</u>	<u>24,627</u>	<u>20,437</u>	<u>79,060</u>	<u>343,069</u>
Segment results	<u>48,061</u>	<u>53,010</u>	<u>(660)</u>	<u>150,265</u>	<u>(2,846)</u>	<u>(178)</u>	<u>16,913</u>	264,565
Finance costs								(14,818)
Share of profits less losses of								
— Associated companies	(225)	—	—	—	—	1,588	(2,808)	(1,445)
— Jointly controlled entities	—	—	254	—	—	—	6	260
Profit before taxation								248,562
Taxation								(8,310)
Profit for the period								<u>240,252</u>
<b>Other information</b>								
Capital expenditure	78	1,058	478	911	296	65	110	2,996
Depreciation	99	826	468	5,060	2,082	317	888	9,740
Amortisation of leasehold land and land use rights	—	—	99	165	325	1	—	590

*Note:* There are no sales or other transactions among the business segments.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 4. Segment information (Continued)

#### Primary reporting format – business segments (Continued)

The unaudited segment results, capital expenditure, depreciation and amortisation of leasehold land and land use rights of the Group for the six months ended 30th June 2006 are as follows:

	Securities trading and investment <i>HKS'000</i> (Restated)	Corporate finance and stockbroking <i>HKS'000</i> (Restated)	Property development and investments <i>HKS'000</i> (Restated)	Hotel operation <i>HKS'000</i>	Container transportation and freight forwarding services <i>HKS'000</i>	Motor vehicle meters and components manufacturing <i>HKS'000</i>	Investment holding and management <i>HKS'000</i> (Restated)	Group <i>HKS'000</i> (Restated)
Revenue	<u>23,654</u>	<u>61,524</u>	<u>546</u>	<u>34,739</u>	<u>571,286</u>	<u>17,442</u>	<u>16,995</u>	<u>726,186</u>
Segment results	<u>15,140</u>	<u>11,476</u>	<u>964</u>	<u>1,670</u>	<u>(3,876)</u>	<u>(962)</u>	<u>(26,164)</u>	<u>(1,752)</u>
Finance costs								(9,472)
Share of profits less losses of								
— Associated companies	—	—	—	—	—	1,089	(19,040)	(17,951)
— Jointly controlled entities	—	—	9,327	—	—	—	81	<u>9,408</u>
Loss before taxation								(19,767)
Taxation								<u>(1,526)</u>
Loss for the period from continuing operations								(21,293)
Profit for the period from discontinued operations	—	—	—	—	—	—	107,437	<u>107,437</u>
Profit for the period								<u>86,144</u>
<b>Other information</b>								
Capital expenditure	291	430	12,107	22,305	1,412	45	6,065	42,655
Depreciation	237	625	514	6,215	5,097	270	6,734	19,692
Amortisation of leasehold land and land use rights	—	—	83	233	306	1	—	623

*Note:* There are no sales or other transactions among the business segments.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 4. Segment information (Continued)

#### Primary reporting format – business segments (Continued)

The unaudited segment assets and liabilities of the Group as at 30th June 2007 are as follows:

	Securities trading and investment <i>HKS'000</i>	Corporate finance and stockbroking <i>HKS'000</i>	Property development and investments <i>HKS'000</i>	Hotel operation <i>HKS'000</i>	Container transportation and freight forwarding services <i>HKS'000</i>	Motor vehicle meters and components manufacturing <i>HKS'000</i>	Investment holding and management <i>HKS'000</i>	Group <i>HKS'000</i>
Segment assets	171,738	1,689,999	315,002	92,964	101,257	42,930	1,198,521	3,612,411
Investments in associated companies	392	—	—	—	—	13,474	368,183	382,049
Investments in jointly controlled entities	—	—	52,960	—	—	—	22,140	75,100
Tax recoverable								389
Deferred tax assets								1,328
Total assets								<u>4,071,277</u>
Segment liabilities	4,976	1,140,977	5,320	39,854	13,574	36,431	224,515	1,465,647
Taxation payable								27,328
Deferred tax liabilities								414
Total liabilities								<u>1,493,389</u>

The audited segment assets and liabilities of the Group as at 31st December 2006 are as follows:

	Securities trading and investment <i>HKS'000</i>	Corporate finance and stockbroking <i>HKS'000</i>	Property development and investments <i>HKS'000</i> (Restated)	Hotel operation <i>HKS'000</i>	Container transportation and freight forwarding services <i>HKS'000</i>	Motor vehicle meters and components manufacturing <i>HKS'000</i>	Investment holding and management <i>HKS'000</i> (Restated)	Group <i>HKS'000</i>
Segment assets	152,723	379,737	199,450	239,302	118,449	36,683	594,250	1,720,594
Investments in associated companies	4,601	—	—	—	—	11,487	281,482	297,570
Investments in jointly controlled entities	—	—	50,943	—	—	—	21,393	72,336
Tax recoverable								374
Deferred tax assets								1,231
Total assets								<u>2,092,105</u>
Segment liabilities	865	7,028	3,177	161,280	12,793	30,130	156,423	371,696
Taxation payable								24,242
Deferred tax liabilities								496
Total liabilities								<u>396,434</u>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)**

**4. Segment information (Continued)**

*Secondary reporting format – geographical segments*

The Group operates in two main geographical areas:

- Hong Kong — securities trading and investment, corporate finance and stockbroking, and investment holding and management
- Chinese Mainland — property development and investments, hotel operation, container transportation and freight forwarding services, and motor vehicle meters and components manufacturing

	Unaudited			Capital expenditure
	Revenue	Segment results	Total assets	Six months ended
	Six months ended	30th June	30th June	30th June
	2007	2007	2007	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	252,541	123,033	2,793,809	148
Chinese Mainland	88,214	139,753	780,084	2,770
Others	2,314	1,779	38,518	78
	<u>343,069</u>	<u>264,565</u>	3,612,411	<u>2,996</u>
Investments in associated companies			382,049	
Investments in jointly controlled entities			75,100	
Tax recoverable			389	
Deferred tax assets			1,328	
Total assets			<u>4,071,277</u>	
	Unaudited			Unaudited
	Revenue	Segment results	Audited	Capital expenditure
	Six months ended	30th June	Total assets	Six months ended
	2006	2006	31st December	30th June
	2006	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)		
Hong Kong	88,283	8,104	784,341	448
Chinese Mainland	638,134	(5,308)	909,743	41,922
Others	(231)	(4,548)	26,510	285
	<u>726,186</u>	<u>(1,752)</u>	1,720,594	<u>42,655</u>
Investments in associated companies			297,570	
Investments in jointly controlled entities			72,336	
Tax recoverable			374	
Deferred tax assets			1,231	
Total assets			<u>2,092,105</u>	

Note: There are no sales among the geographical segments.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)**

**5. Other gains — net**

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Interest income	5,848	8,232
Gain on disposal of subsidiaries (Note)	146,844	3,633
Loss on deemed disposal of partial interest in an associated company	(2,349)	—
Loss on disposal of available-for-sale financial assets	(91)	—
	<u>150,252</u>	<u>11,865</u>

Note:

Included is the gain on disposal of the Group's entire 100% interest in First Shanghai Hotel Group Limited and its 65% interest in subsidiary, Kunshan Traders Park Hotel Company Limited, of approximately HK\$146,764,000 for the six months ended 30th June 2007.

**6. Operating profit/(loss)**

The following items have been credited/charged to the operating profit/(loss) during the interim period:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting:</b>		
Net gain on disposal of property, plant and equipment	<u>54</u>	<u>—</u>
<b>Charging:</b>		
Depreciation	9,740	19,692
Amortisation of leasehold land and land use rights	590	623
Impairment loss on intangible assets	—	400
Staff costs (Note 7)	100,590	101,535
Net loss on disposal of property, plant and equipment	<u>—</u>	<u>225</u>

**7. Staff costs**

Staff costs, including directors' remuneration, comprise:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Wages, salaries and allowances	84,119	79,722
Retirement benefit costs	2,538	3,314
Other employee benefits	4,365	5,624
Employees share option benefits	<u>9,568</u>	<u>12,875</u>
	<u>100,590</u>	<u>101,535</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 8. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
— Current	<b>10,100</b>	1,257
— (Over)/under provision in previous years	<b>(2,272)</b>	58
Overseas profits tax		
— Current	<b>661</b>	444
— Under provision in previous years	<b>—</b>	547
Deferred taxation	<b>(179)</b>	(780)
Taxation charge	<b><u>8,310</u></b>	<b><u>1,526</u></b>

### 9. Interim dividend

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend, of HK\$0.02 (2006: HK\$0.02) per ordinary share	<b><u>27,320</u></b>	<b><u>23,701</u></b>

At a meeting held on 12th September 2007, the Board declared an interim dividend of HK\$0.02 (2006: HK\$0.02) per ordinary share in respect of the results for the six months ended 30th June 2007. The interim dividend is not reflected as a dividend payable in these unaudited consolidated interim financial statements.

At a meeting held on 20th April 2007, the Board declared a final dividend of HK\$0.005 (2006: HK\$0.015) per ordinary share for the year ended 31st December 2006. Total amount of approximately HK\$6,130,000 (2006: HK\$17,758,000) was paid in 2007 and has been fully reflected as an appropriation of retained earnings for the six months ended 30th June 2007.

### 10. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$244,165,000 (2006: HK\$89,888,000). The basic earnings per share is based on the weighted average number of 1,214,864,804 (2006: 1,182,511,448) ordinary shares in issue during the period. The diluted earnings per share is based on 1,229,457,162 (2006: 1,206,893,204) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 14,592,358 (2006: 24,381,756) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION** (Continued)

**11. Capital expenditure**

	Unaudited			
	Intangible assets <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
Net book value at 1st January 2007	3,393	268,340	39,828	67,478
Additions	—	2,996	—	—
Disposals	—	(72)	—	—
Disposal of subsidiaries	—	(211,289)	—	(18,372)
Depreciation and amortisation (Note 6)	—	(9,740)	—	(590)
Exchange differences	—	8,365	—	826
Net book value at 30th June 2007	<u>3,393</u>	<u>58,600</u>	<u>39,828</u>	<u>49,342</u>
		Audited		
	Intangible assets <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Leasehold land and land use rights <i>HK\$'000</i>
Net book value at 1st January 2006	3,893	262,203	19,260	66,377
Additions	—	51,275	8,329	1,447
Disposals	—	(17,268)	—	—
Disposal of subsidiaries	—	(444)	—	—
Depreciation and amortisation	—	(36,861)	—	(1,275)
Impairment loss	(500)	—	—	—
Net increase in fair value of investment properties	—	—	12,239	—
Exchange differences	—	9,435	—	929
Net book value at 31st December 2006	<u>3,393</u>	<u>268,340</u>	<u>39,828</u>	<u>67,478</u>

**12. Loans receivable**

The loans receivable represents loans to third parties of approximately HK\$17,547,000 (31st December 2006: HK\$16,961,000) which bear weighted average interest rate at 5% (31st December 2006: 5%) per annum, and an interest free loan of approximately HK\$11,793,000 (31st December 2006: HK\$11,305,000). These loans receivable are not repayable within one year from 30th June 2007. The carrying value of loans receivable approximates its fair value. The weighted average effective interest rate at 30th June 2007 was 6.3% (31st December 2006: 6.3%).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 13. Trade receivables

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	87,239	34,309
Due from stockbroking clients	1,119,267	58,807
Trade receivables, net	81,592	63,700
Bills receivables	917	747
	<u>1,289,015</u>	<u>157,563</u>

At 30th June 2007 and 31st December 2006, the ageing analysis of trade receivables is as follows:

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
0 — 30 days	1,259,457	125,300
31 — 60 days	8,419	8,084
61 — 90 days	9,493	6,024
Over 90 days	11,646	18,155
	<u>1,289,015</u>	<u>157,563</u>

For securities business, trade receivables shall be due on the settlement day of the respective securities and commodities transactions. For the remaining business of the Group, trade receivables are mainly on credit terms of 30 to 90 days.

### 14. Trade and other payables

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
Due to stockbrokers and dealers	24,252	1,918
Due to stockbroking clients	280,201	75,260
Trade payables	38,499	39,735
	<u>342,952</u>	<u>116,913</u>
Total trade payables	342,952	116,913
Other payables and accruals	157,675	107,345
	<u>500,627</u>	<u>224,258</u>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)**

**14. Trade and other payables (Continued)**

At 30th June 2007 and 31st December 2006, the ageing analysis of total trade payables is as follows:

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
0 — 30 days	315,816	93,087
31 — 60 days	6,043	4,557
61 — 90 days	1,209	2,878
Over 90 days	<u>19,884</u>	<u>16,391</u>
	<b><u>342,952</u></b>	<b><u>116,913</u></b>

**15. Amount due to a related party**

The balance represents the amount due to Mr. Lao Yuan Yi, the major shareholder and director of the Company. The balance is unsecured, interest free and repayable on demand.

**16. Share capital**

	<b>Unaudited 30th June 2007</b>		Audited 31st December 2006	
	<i>Number of shares '000</i>	<i>HK\$'000</i>	<i>Number of shares '000</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.2 each	<u>2,000,000</u>	<u>400,000</u>	<u>2,000,000</u>	<u>400,000</u>
Issued and fully paid:				
At 1st January	1,193,867	238,773	1,182,030	236,406
Issue of new shares on placement	95,000	19,000	—	—
Exercise of share options	<u>77,156</u>	<u>15,431</u>	<u>11,837</u>	<u>2,367</u>
	<b><u>1,366,023</u></b>	<b><u>273,204</u></b>	<b><u>1,193,867</u></b>	<b><u>238,773</u></b>

During the period, 95,000,000 (2006: Nil) new ordinary shares of HK\$0.2 each were issued pursuant to a Placing Agreement and two Top-up Subscription Agreements dated 7th June 2007 at a placing price of HK\$2.05 per ordinary share to finance the Group's general working capital. These shares rank pari passu with the existing shares of the Company.

During the period, 77,156,000 (2006: 11,836,844) new ordinary shares of HK\$0.2 each were issued upon exercise of options under the Employee Share Option Scheme adopted by the Company on 24th May 2002 at exercise price ranging from HK\$0.283 to HK\$0.816 per ordinary share. The related weighted average share price at the time of exercise was HK\$1.77 per ordinary share. These shares rank pari passu with the existing shares of the Company.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 17. Convertible bonds

On 27th June 2007, the Company issued two-year 1% convertible bonds with a face value of approximately HK\$31,860,000. The convertible bonds can be converted into ordinary shares of the Company at a price of HK\$1.32 per ordinary share and bear an interest rate of 1% per annum payable yearly in arrear. No conversion has been made during the period. The value of the liability component and the equity conversion component were determined at the issue of the convertible bonds. The fair value of the liability component included in the non-current liabilities was arrived at using discounted cash flow method at market interest rate of 5.0% per annum for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity under the convertible bonds equity reserve.

The convertible bonds recognised in the consolidated balance sheet was arrived at as follows:

	<b>Unaudited</b> <b>30th June 2007</b> <i>HK\$'000</i>
Fair value of convertible bonds issued on 27th June 2007 ( <i>Note 18</i> )	<b>31,860</b>
Equity portion	<u><b>(2,382)</b></u>
Liability portion at date of issue	<b>29,478</b>
Interest expenses charged to income statement	<u><b>3</b></u>
Liability portion at 30th June 2007	<u><u><b>29,481</b></u></u>

The carrying value of the liability component of the convertible bonds at 30th June 2007 approximates their fair value. Interest expenses on the convertible bonds are calculated using effective interest rate of 5.0% per annum to the liability component.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION** (Continued)

**18. Business combination**

On 27th June 2007, the Group acquired from its major shareholder and director, Mr. Lao Yuan Yi and his daughter, Ms. Lao Yuan, Vivian, 100% of the share capital of and the benefit of loans of approximately HK\$21 million advanced to HK Sunshine Real Estate Limited and its wholly owned subsidiary, Wuxi Sunshine Real Estate Limited (together, the “Sunshine Group”) that are principally engaged in property development and investments. The aggregate consideration is approximately HK\$54 million, of which approximately HK\$22 million was settled in cash and the balance of approximately HK\$32 million was settled by the issue of convertible bonds of the Company. The Sunshine Group has not commenced operation for the period from the date of acquisition to 30th June 2007.

Details of net assets acquired and goodwill are as follows:

	<b>Unaudited 30th June 2007 HK\$'000</b>
Purchase consideration:	
— cash paid	22,100
— direct costs relating to the acquisition	959
— issue of convertible bonds (Note 17)	<u>31,860</u>
Total purchase consideration	54,919
Fair value of net assets acquired	<u>(54,919)</u>
Goodwill	<u>—</u>

The assets and liabilities at 30th June 2007 arising from the acquisition are as follows:

	<b>Acquiree's carrying amount HK\$'000</b>	<b>Fair value HK\$'000</b>
Other receivables – purchase deposit of land use rights	56,708	90,627
Prepayments	1,367	1,367
Cash and cash equivalents	969	969
Other payables	(36,097)	(36,097)
Amount due to a related party (Note 15)	<u>(1,947)</u>	<u>(1,947)</u>
Net assets acquired	<u>21,000</u>	<u>54,919</u>
		<b>HK\$'000</b>
Cash consideration		23,059
Cash and cash equivalents in subsidiaries acquired		<u>(969)</u>
Total net cash outflow for acquisition of business		<u>22,090</u>

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION** (Continued)

**19. Commitments**

(a) Capital commitments for property, plant and equipment, and leasehold land and land use rights:

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
Contracted but not provided for	<u>21,576</u>	<u>41,803</u>
Authorised but not contracted	<u>328,626</u>	<u>320,348</u>
The Group's share of capital commitments of an associated company and a jointly controlled entity not included in the above is as follows:		
Contracted but not provided for	<u>—</u>	<u>5,059</u>
Authorised but not contracted	<u>1,548</u>	<u>—</u>

(b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
Not later than one year	7,490	1,735
Later than one year but not later than five years	4,222	717
More than five years	<u>762</u>	<u>—</u>
	<u>12,474</u>	<u>2,452</u>

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	<b>Unaudited 30th June 2007 HK\$'000</b>	Audited 31st December 2006 HK\$'000
Not later than one year	5,768	7,251
Later than one year but not later than five years	<u>3,408</u>	<u>7,858</u>
	<u>9,176</u>	<u>15,109</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

### 20. Related party transactions

During the period, the Group had the following material transactions with related parties, which were carried out in normal course of business at terms determined and agreed by both parties.

(a) Transactions with related parties:

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Purchase of raw materials from associated companies	1,032	5,464
Purchase of investment properties from a jointly controlled entity	—	12,108
Acquisition of subsidiaries from related parties (Note 18)	53,960	—
Amount due to a related party (Note 15)	1,947	—
	<u>1,947</u>	<u>—</u>

(b) Key management compensations:

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Fee	600	600
Salaries and other employee benefits	3,779	24,346
Retirement benefit costs	295	260
Employees share option benefits	7,288	9,610
	<u>11,962</u>	<u>34,816</u>

### 21. Contingent liabilities

As at 30th June 2007, the Group had no material contingent liabilities.

## **BUSINESS REVIEW**

During the first half year of 2007, the Group has achieved record high in overall performance with a net profit attributable to shareholders of approximately HK\$244 million over the six months ended 30th June 2007, representing a surge of over 172% from the corresponding period of 2006. Such significant increase was mainly attributable to an improved performance of the Group's Financial Services business. This was also contributed by the incorporation of the net gain on disposal of the Group's hotel in Kunshan amounted to approximately HK\$147 million. The Group's total revenue, as a result of the scale down of container transportation and freight forwarding business, dropped by 53% from approximately HK\$726 million for the six months ended 30th June 2006 to approximately HK\$343 million for the corresponding period in 2007.

The total net assets of the Group has raised significantly from approximately HK\$1,696 million at 31st December 2006 to approximately HK\$2,578 million at 30th June 2007, representing an increase of 52%. Besides the encouraging results recorded in 2007, the Group has recognised an unrealised gain amounting to approximately HK\$291 million from the increase in fair value of its investment in the holding company of a Hong Kong listed company, Shen Yin Wanguo (H.K.) Limited. As the Group is holding this investment for long term strategic purpose, the impact on fair value change will not be realised in the income statement until disposal.

The Group has continued its focus on three major business sectors: Financial Services, Property and Hotels, and Direct Investments.

### **Financial Services**

The Group focuses its securities investments and securities brokerage business on the stocks and futures market in Hong Kong as well as the B-share market in Chinese Mainland. The Hong Kong financial market continues to be benefited from the robust economic performance of Chinese Mainland. During the first half of the year, in view of the booming economy, the Hong Kong securities markets have maintained rapid growth. The Hang Seng Index has soared above its record high of over 22,000 mark while the total market capitalisation has surpassed approximately HK\$15 trillion. The Stock Exchange has recorded relatively active trade with the daily average market turnover increased from approximately HK\$32.4 billion for the first half year of 2006 to approximately HK\$58.7 billion for the corresponding period of 2007.

As benefited from this robust market growth, the Group has reported satisfactory performance from both the assets management division and the securities brokerage division. The assets management fund size, the number of brokerage clients as well as the client margin loan size has increased significantly. The total revenue of Financial Services, mainly net gain from securities investment and stockbroking commission income, has increased dramatically from approximately HK\$85 million for the six months ended 30th June 2006 to approximately HK\$191 million for the same period in 2007, representing an increase of 124%. Despite the keen market competition on margin loan business, the operating results has been boosted by 280% to approximately HK\$101 million for the six months ended 30th June 2007 from the corresponding period of 2006.

Our corporate finance division continued to be an active player in the financial advisory and the IPO market. During the first half year, we have completed 20 corporate advisory assignments and acted as compliance advisers to three listed companies.

## **Property and Hotels**

The Property and Hotels division is specialising in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts. In June 2007, the Group acquired a piece of land in Wuxi which will be developed into a complex consisting of a luxury hotel, service apartments and offices. Following this acquisition, the Group's total gross floor area available for development has accumulated up to approximately 280,000 square meters, situated mainly in Yangtze River Delta and Pearl River Delta.

Following the successful disposal of properties developed by our subsidiary, Fu Hai Digital Science & Technology (Shanghai) Company Limited, to an international property investment fund in 2006, the Group has completed the disposal of its hotel in Kunshan to an international investment group, Kingdom Hotel Investments, on 30th April 2007. The Group has recognised net gain on disposal of approximately HK\$147 million which has been fully reflected in the interim results of 2007.

Development of the remaining properties in Zhangjiang by our jointly controlled entity, Shanghai Zhangjiang Information Technology Company Limited, has been completed in early 2007 and is currently held for investment purpose.

## **Direct Investments**

The Group currently invests in certain direct investments, the major contributors include container transportation and freight forwarding business, and motor vehicle meters and components manufacturing business. In view of the keen market competition, substantial working capital requirement and thin profit margin of container transportation and freight forwarding business, the Group has carried out certain restructure programs with an objective to scale down this business which resulted in a sharp reduction of the Group's total revenue. The slight decrease in operating loss of its segment results in 2007 when compared with the corresponding period of 2006 has proven the success of this plan.

China Assets (Holdings) Limited ("China Assets"), the Group's major associated company, has suffered an unrealised investment loss due to the drop in market price of its major listed investment in US, Kongzhong Corporation, though this impact has been partially set off by the gain on investment in equity options.

## **PROSPECTS**

The Management believes Financial Services will continue to be one of the key contributors of operating profit to the Group for the second half of the year. Chinese Mainland's economy will continue to boom with fixed investment and individual consumption recording sustained fast and steady growth. The financial market environment of Hong Kong will further improve since the government has embarked on the implementation of relevant initiatives to strengthen Hong Kong as an international platform of Chinese Mainland's capital and a world-class international financial centre. Furthermore, with the expectation for the launch of QDII policies and the new mainland individuals direct investments scheme, together with the expectation of continuous appreciation of Renminbi, the securities trading brisk activities will be continued in the second half of the year. To capture the growing momentum and strong market demand, the Group will reinforce its assets management and stockbroking businesses by enhancing its trading systems and service quality. The Group will also make full use of its professional brokerage team and business network in Chinese Mainland to further strengthen its customer base and market share.

Tapping the strong market demand on quality China stocks, we successfully sponsored China's largest safety and critical control system provider, China Automation Group Limited, which raised approximately HK\$352 million in its public listing in Hong Kong in July 2007. The listing was well accepted by the market and achieved excellent share performance. On the pipeline, we prepare to launch the IPO of a Chinese online game company with a sizeable fund raising size in latter half of 2007. In line with our strategy to become a financial service solution provider, we will continue to actively pursue transactions in both the financial advisory and the IPO market.

Following the disposal of the investment in a child products manufacturing company in 2006 and the hotel in Kunshan in 2007, the Group has maintained significant cash on hand amounting to approximately HK\$832 million as at 30th June 2007. This strong financial position will help the Group to meet the future working capital requirements of property development projects, which will become the Group's future profit rocket in medium term. We will continue to seek property development opportunities in Chinese Mainland with satisfactory returns. We believe the Group's hotel project in Wuxi will be benefited from the continuing robust tourism and travel industry in the Yangtze River Delta Area. Meanwhile, the Group will also continue to expand its Direct Investments business by continuous exploration of potential new investments in line with the business strategy of the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial results**

For the six months ended 30th June 2007, the Group recorded a net profit attributable to shareholders of approximately HK\$244 million, representing an increase of 172% over the corresponding period of 2006 of approximately HK\$90 million. Basic earnings per share attributable to the shareholders of the Company grew from HK7.60 cents in 2006 to HK20.10 cents in 2007. Revenue of the Group is approximately HK\$343 million, which recorded a decrease by 53% over the same period of 2006.

### **Disposal of subsidiaries**

On 5th April 2007, the Company entered into an agreement for the sales of its entire 100% interest in First Shanghai Hotel Group Limited and its 65% interest in subsidiary, Kunshan Traders Park Hotel Company Limited (together, the "Hotel Group") to KHI-11 Ltd., an independent third party, at a consideration of approximately RMB201.5 million. The transaction has been completed on 30th April 2007, thereafter the Group has no interest in the Hotel Group and has recorded a net gain on disposal of approximately HK\$147 million in the interim results.

## **Liquidity and financial resources**

The Group relies principally on its internal resources to fund its operations and investment activities. Bank loan is raised occasionally to meet the different demands of our various investment projects. As at 30th June 2007, the Group had raised bank loans of approximately HK\$934 million and held approximately HK\$832 million cash reserves. The aggregate amount of bank loans at 30th June 2007 increased significantly with the borrowing of certain short term IPO loans, amounting to approximately HK\$930 million. The gearing ratio (total borrowings to shareholders' fund) is at the level of 37%. Investment in financial assets at fair value through income statement as at 30th June 2007 amounted to approximately HK\$249 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. We expect that Renminbi will continue to appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

## **Pledge of assets**

Certain properties of the Group with an aggregate net book value of approximately HK\$58 million as at 30th June 2007 (31st December 2006: HK\$76 million) as well as fixed deposits of HK\$33 million (31st December 2006: HK\$32 million) were pledged as securities against bank loans and general banking facilities amounting to HK\$18 million (31st December 2006: HK\$161 million) granted to the Group.

## **Human resources**

As at 30th June 2007, the Group employed 587 (30th June 2006: 1,544) staff, of which 498 are located in Chinese Mainland. Employees' 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. The staff costs of the Group for the six months ended 30th June 2007 amounted to approximately HK\$101 million.

## **Contingent liabilities**

As at 30th June 2007, the Group had no material contingent liabilities.

## **INTERIM DIVIDEND**

The Board recommends the payment of an interim dividend of HK\$0.02 (2006: HK\$0.02) per ordinary share, totaling approximately HK\$27,320,000 (2006: HK\$23,701,000).



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30th June 2007, the interests of the Directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.2 each in the Company:

Directors		Number of shares and underlying shares held			% of issued share capital of the Company
		Personal Interests	Corporate Interests	Total	
Mr. Lao Yuan Yi	Long position	104,573,636	72,952,000	177,525,636	13.00%
Mr. Xin Shulin, Steve	Long position	24,644,640	—	24,644,640	1.80%
Mr. Yeung Wai Kin	Long position	27,824,304	—	27,824,304	2.04%
Mr. Kwok Lam Kwong, Larry, J.P.	Long position	1,000,000	—	1,000,000	0.07%
Prof. Woo Chia Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. Liu Ji	Long position	500,000	—	500,000	0.04%
Mr. Yu Qi Hao	Long position	1,000,000	—	1,000,000	0.07%

*No Directors and chief executives have any interest of short positions in any share or underlying shares of the Company.*

(b) Options in respect of shares in an associated corporation:

Directors			Number of shares and underlying shares held		% of issued share capital of the associated corporation
			Personal Interests	Total	
Mr. Lao Yuan Yi	China Assets	Long position	1,475,000	1,475,000	1.93%
Mr. Yeung Wai Kin	China Assets	Long position	1,450,000	1,450,000	1.90%

*The above share options were granted under the share option scheme of China Assets (Holdings) Limited (“China Assets”) adopted on 19th May 2004.*

Saved as disclosed above, at no time during the year, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

## SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the “Scheme”) to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

Movement of share options during the six months ended 30th June 2007 is as follows:

	Options held at 1st January 2007	Options granted during period (Note 1)	Options exercised during period (Note 2)	Options lapsed during period	Options held at 30th June 2007	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:									
Mr. Lao Yuan Yi	10,000,000	—	(10,000,000)	—	—	0.816	01/11/1997	01/05/1998-12/11/2007	01/11/1997-30/04/1998
	22,842,000	—	(22,842,000)	—	—	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	—	11,944,000	—	—	11,944,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Xin Shulin, Steve	2,500,000	—	(2,500,000)	—	—	0.816	01/11/1997	01/05/1998-12/11/2007	01/11/1997-30/04/1998
	4,464,000	—	(4,464,000)	—	—	0.283	08/07/1998	08/01/1999-15/07/2008	08/07/1998-07/01/1999
	11,810,000	—	(11,810,000)	—	—	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	—	8,032,000	—	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yeung Wai Kin	2,500,000	—	(2,500,000)	—	—	0.816	01/11/1997	01/05/1998-12/11/2007	01/11/1997-30/04/1998
	6,980,000	—	(6,980,000)	—	—	0.283	08/07/1998	08/01/1999-15/07/2008	08/07/1998-07/01/1999
	11,810,000	—	—	—	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	—	8,032,000	—	—	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Hu Yi Ming	1,000,000	—	(1,000,000)	—	—	0.816	01/11/1997	01/05/1998-12/11/2007	01/11/1997-30/04/1998
	1,300,000	—	(1,300,000)	—	—	0.283	08/07/1998	08/01/1999-15/07/2008	08/07/1998-07/01/1999
Mr. Kwok Lam Kwong, Larry, J.P.	—	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. Woo Chia Wei	—	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Liu Ji	—	500,000	—	—	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. Yu Qi Hao	—	1,000,000	—	—	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	950,000	—	(950,000)	—	—	0.816	01/11/1997	01/05/1998-12/11/2007	01/11/1997-30/04/1998
	1,004,000	—	(1,000,000)	—	4,000	0.283	08/07/1998	08/01/1999-15/07/2008	08/07/1998-07/01/1999
	11,810,000	—	(11,810,000)	—	—	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	16,600,000	—	—	(250,000)	16,350,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	—	5,300,000	—	—	5,300,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	<u>105,570,000</u>	<u>36,808,000</u>	<u>(77,156,000)</u>	<u>(250,000)</u>	<u>64,972,000</u>				

Notes:

- (1) During the period, 36,808,000 share options were granted under the Scheme with an exercise price of HK\$1.950 per share. The related weighted average closing price immediately before the date on which the share options were granted was HK\$1.950 per share. The fair value of share options granted is estimated using the Black-Scholes valuation model based on the following assumptions:

As at 30th June 2007

Date of grant	23rd May 2007
Fair value per share option	HK\$1.09
Share closing price	HK\$1.95
Exercise price	HK\$1.95
Expected volatility *	59.33%
Annual risk-free interest rate **	4.281%
Life of options	9.5 years
Dividend yield ***	2.08%
Fair value of total share options granted during the period	HK\$40,166,000

\* Expressed as annualized volatility for 1 year immediately preceding the grant date

\*\* Based on yield of 10-year Exchange Fund Notes

\*\*\* Expressed as annualised dividend of the most recent financial year and the closing price on grant date

The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of a share option varies with difference variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of a share option.

- (2) During the period, 77,156,000 shares options were exercised under the Scheme with an exercise price ranging from HK\$0.283 to HK\$0.816 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$1.85 per share.
- (3) No share options granted under the Scheme were cancelled during the six months ended 30th June 2007.
- (4) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2006.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2007, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK\$0.2 each in the Company:

		Corporate Interests	Percentage
China Assets (Holdings) Limited ("China Assets")	Long position	248,249,300	18.17%

China Assets is a Hong Kong listed company, which is also 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 5% or more of the nominal value of the issued share capital of the Company as at 30th June 2007.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## **AUDIT COMMITTEE**

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. Kwok Lam Kwong, Larry, J.P. and the three independent non-executive Directors, Prof. Woo Chia Wei, Mr. Liu Ji and Mr. Yu Qi Hao. The Audit Committee acts in an advisory capacity and makes recommendations to the Board.

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matter, including a review of the unaudited interim financial statements for the six months ended 30th June 2007 for approval by the Board.

## **REMUNERATION COMMITTEE**

A Remuneration Committee, comprising two independent non-executive directors, Prof. Woo Chia Wei and Mr. Yu Qi Hao and an executive director, Mr. Lao Yuan Yi, was established on 30th June 2005. The committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes. Meetings will be held in the second half of this year to discuss the above for the year of 2007 in details.

## **COMPLIANCE WITH CODE ON GOVERNANCE PRACTICES**

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules throughout the period, except for the following deviation.

### **(a) Code Provision A.2.1**

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Lao Yuan Yi holds both the positions of the Chairman of the Board and the Chief Executive Officer. The Board believes that vesting the role of both positions in Mr. Lao provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

### **(b) Code Provision A.4.2**

This Code stipulates that every director should be subject to retirement by rotation at least once every three years. However, according to the Articles of Association of the Company, at each annual general meeting one-third of the directors for the time being shall retire from office. The Articles of Association constitutes a deviation from the CG Code. The Management is considering the amendment of the Articles of Association to comply with the code provision A.4.2.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 of the Listing Rules (“Model Code”). Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 3rd October 2007 to Friday, 5th October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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 Tuesday, 2nd October 2007. Dividend warrants will be despatched on Monday, 29th October 2007.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Messrs. Lao Yuan Yi, Xin Shulin, Steve and Yeung Wai Kin, the non-executive director is Mr. Kwok Lam Kwong, Larry, J.P. and the independent non-executive directors are Messrs. Woo Chia Wei, Liu Ji and Yu Qi Hao.

By order of the Board

**LAO Yuan Yi**

*Chairman*

Hong Kong, 12th September 2007