



FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2006 FINAL RESULTS ANNOUNCEMENT

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 2006 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2006 <i>HK\$'000</i>	Restated 2005 <i>HK\$'000</i>
Continuing operations:			
Revenue	2	1,319,289	1,148,462
Cost of sales		<u>(1,004,840)</u>	<u>(996,911)</u>
Gross profit		314,449	151,551
Other gains/(losses) – net	3	28,461	(1,886)
Selling and distribution costs		(13,323)	(4,258)
Administrative expenses		<u>(225,928)</u>	<u>(158,030)</u>
Operating profit/(loss)	2 & 4	103,659	(12,623)
Finance costs		(20,585)	(8,409)
Share of profits less losses of			
Associated companies		(2,404)	36,331
Jointly controlled entities		<u>4,418</u>	<u>17,527</u>
Profit before taxation		85,088	32,826
Taxation	5	<u>(16,618)</u>	<u>(3,637)</u>
Profit for the year from continuing operations		68,470	29,189
Non-current assets classified as held for sale and discontinued operations:			
Profit for the year from non-current assets classified as held for sale and discontinued operations		<u>161,317</u>	<u>40,961</u>
Profit for the year		<u><u>229,787</u></u>	<u><u>70,150</u></u>
Attributable to:			
Shareholders of the Company		236,573	76,320
Minority interests		<u>(6,786)</u>	<u>(6,170)</u>
		<u><u>229,787</u></u>	<u><u>70,150</u></u>
Basic earnings per share for profit attributable to shareholders of the Company during the year			
– Continuing operations		HK6.33 cents	HK3.01 cents
– Non-current assets classified as held for sale and discontinued operations		HK13.58 cents	HK3.48 cents
	6	<u>HK19.91 cents</u>	<u>HK6.49 cents</u>
Diluted earnings per share for profit attributable to shareholders of the Company during the year			
– Continuing operations		HK6.21 cents	HK2.97 cents
– Non-current assets classified as held for sale and discontinued operations		HK13.32 cents	HK3.43 cents
	6	<u>HK19.53 cents</u>	<u>HK6.40 cents</u>
Dividends	7	<u>29,846</u>	<u>17,758</u>

CONSOLIDATED BALANCE SHEET

	Note	2006 HK\$'000	2005 HK\$'000
Non-current assets			
Intangible assets		3,393	3,893
Property, plant and equipment		268,340	262,203
Investment properties		39,828	19,260
Leasehold land and land use rights		67,478	66,377
Investments in associated companies		297,570	276,260
Investments in jointly controlled entities		72,336	72,209
Deferred tax assets		1,231	603
Available-for-sale financial assets		115,033	63,433
Loans receivable		28,266	23,027
		<u>893,475</u>	<u>787,265</u>
Current assets			
Inventories		18,892	18,531
Loans and advances		206,961	97,295
Trade receivables	8	157,563	317,710
Other receivables, prepayments and deposits		180,794	56,987
Tax recoverable		374	4,003
Financial assets at fair value through income statement		157,904	80,062
Cash and cash equivalents		476,142	149,990
		<u>1,198,630</u>	<u>724,578</u>
Non-current assets classified as held for sale and discontinued operations		–	412,367
		<u>1,198,630</u>	<u>1,136,945</u>
Current liabilities			
Trade and other payables	9	224,258	331,167
Taxation payable		24,242	1,447
Borrowings		2,989	78,353
		<u>251,489</u>	<u>410,967</u>
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations		–	11,989
		<u>251,489</u>	<u>422,956</u>
Net current assets		<u>947,141</u>	<u>713,989</u>
Total assets less current liabilities		<u>1,840,616</u>	<u>1,501,254</u>
Non-current liabilities			
Deferred tax liabilities		496	516
Borrowings		144,449	87,278
		<u>144,945</u>	<u>87,794</u>
Net assets		<u>1,695,671</u>	<u>1,413,460</u>
Equity			
Share capital		238,773	236,406
Reserves		1,383,640	1,104,767
Capital and reserves attributable to the Company's shareholders		1,622,413	1,341,173
Minority interests		73,258	72,287
Total equity		<u>1,695,671</u>	<u>1,413,460</u>

NOTES:

1. BASIS OF PREPARATION

The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the 2005 consolidated financial statements except that the Group has changed its revenue recognition policy (see Note 1(d) below) and certain of its other accounting policies following its adoption of the new or revised Standards, amendments and interpretations to the published standards which are relevant to its operations. The adoption of these new or revised Standards, amendments and interpretations did not result in any substantial changes to the Group's accounting policies.

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through income statement.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Where necessary, certain comparative figures have been reclassified to conform to the current year's presentation.

- (a) Standards, amendments and interpretations to existing standards that are not yet effective in 2006 and have not been early adopted by the Group

The Group has not early adopted the following Standards, amendments and interpretations to existing Standards that have been issued but are not yet effective. The adoption of such Standards, amendments and interpretations will not result in substantial changes to the Group's accounting policies.

- | | |
|----------------------|---|
| • HKAS 1 (Amendment) | Capital Disclosures |
| • HKFRS 7 | Financial Instruments: Disclosures |
| • HKFRS 8 | Operating Segments |
| • HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| • HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| • HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |
| • HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |

- (b) Interpretation to existing Standards that are not yet effective in 2006 and not relevant for the Group's operations

The following interpretations to existing Standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1st March 2006). HK(IFRIC) – Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC) – Int 7 is not relevant to the Group's operations; and
- HK(IFRIC) – Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008). HK(IFRIC) – Int 12 sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements, which involve private section participation in the development, financing, operation and maintenance of government infrastructure. Since the Group is not involved in such arrangements, HK(IFRIC) – Int 12 is not relevant to the Group's operations.

- (c) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations or not having significant impact on the Group's consolidated financial statements

The following Standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Group's operations or not having significant impact on the Group's consolidated financial statements:

- | | |
|-----------------------------------|---|
| • HKAS 19 (Amendment) | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |
| • HKAS 21 (Amendment) | New Investment in a Foreign Operation |
| • HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| • HKAS 39 (Amendment) | The Fair Value Option |
| • HKAS 39 and HKFRS 4 (Amendment) | Financial Guarantee Contracts |
| • HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards |
| • HKFRS 6 (Amendment) | Exploration for and Evaluation of Mineral Resources |
| • HK(IFRIC) - Int 4 | Determining whether an Arrangement contains a Lease |
| • HK(IFRIC) - Int 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| • HK(IFRIC) - Int 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |

- (d) In previous years, sale proceeds and the related cost of sales of financial assets were presented in the consolidated income statement within revenue and cost of sales respectively, in accordance with the Group's accounting policy then.

In current year, the Group has revised its accounting policy in order to comply more fully with HKAS 32 and to conform with market practice, whereby the net gains/losses on disposal of financial assets are presented in the consolidated income statement within revenue.

The effects of the change in accounting policy have been accounted for retrospectively with comparative figures restated. The specific line items affected are as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Decrease in revenue	(282,182)	(106,266)
Decrease in cost of sales	345,815	122,928
Decrease in other gains/(losses) – net	(63,633)	(16,662)
Effect on net profit	–	–
Effect on basic and fully diluted earnings per share		
– Continuing operations	–	–
– Non-current assets classified as held for sale and discontinued operations	–	–
	<u>–</u>	<u>–</u>

This change in accounting policy does not have an impact on the results of the Group in respect of the current and prior years.

2. 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, leasehold land and land use rights.

In respect of geographical segment reporting, sales are based on the country in which the customers are located.

(a) Primary reporting format – business segments

The Group is organised into seven main business segments:

- Securities trading and investment
- Corporate finance and stockbroking
- Container transportation and freight forwarding services
- Hotel operation
- Sales of motor vehicle meters and components
- Investment holding, property holding and management
- Sales of child products

	Securities trading and investment 2006 HK\$'000	Corporate finance and stockbroking 2006 HK\$'000	Container transportation and freight forwarding services 2006 HK\$'000	Hotel operation (Note 11) 2006 HK\$'000	Sales of motor vehicle components 2006 HK\$'000	Investment holding, property management 2006 HK\$'000	Sales of child products 2006 HK\$'000	Group 2006 HK\$'000
Revenue	128,421	145,085	891,057	80,925	37,765	36,036	-	1,319,289
Segment results	101,488	30,866	(14,514)	6,491	(1,098)	(19,574)	-	103,659
Finance costs								(20,585)
Share of profits less losses of								
– Associated companies	4,601	-	-	-	866	(7,871)	-	(2,404)
– Jointly controlled entities	-	-	-	-	-	5,081	(663)	4,418
Profit before taxation								85,088
Taxation								(16,618)
Profit for the year from continuing operations								68,470
Profit for the year from non-current assets classified as held for sale and discontinued operations	-	-	-	-	-	55,489	105,828	161,317
Profit for the year								229,787
Balance sheet								
Segment assets	152,723	379,737	118,449	239,302	36,683	793,700	-	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								2,092,105
Segment liabilities	865	7,028	12,793	161,280	30,130	159,600	-	371,696
Taxation payable								24,242
Deferred tax liabilities								496
Total liabilities								396,434
Other information								
Capital expenditure	333	1,263	5,028	33,173	228	21,026	-	61,051
Depreciation	319	1,534	10,915	12,550	557	10,986	-	36,861
Amortisation on leasehold land and land use rights	-	-	628	479	2	166	-	1,275

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

	Securities trading and investment	Corporate finance and stockbroking	Container transportation and freight forwarding services	Hotel operation	Sales of motor vehicle components	Investment holding, property holding and management	Sales of child products	Group
	Restated 2005	Restated 2005	Restated 2005	Restated 2005	Restated 2005	Restated 2005	Restated 2005	Restated 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	26,359	86,676	953,500	11,793	29,380	40,754	-	1,148,462
Segment results	8,337	18,447	6,951	(16,671)	(3,538)	(26,149)	-	(12,623)
Finance costs								(8,409)
Share of profits less losses of								
– Associated companies	-	-	-	-	(125)	33,615	2,841	36,331
– Jointly controlled entities	-	-	-	-	-	16,380	1,147	17,527
Profit before taxation								32,826
Taxation								(3,637)
Profit for the year from continuing operations								29,189
Profit for the year from non-current assets classified as held for sale and discontinued operations	-	-	-	-	-	-	40,961	40,961
Profit for the year								70,150
Balance sheet								
Segment assets	53,295	317,742	319,233	151,185	29,929	287,384	-	1,158,768
Investments in associated companies	-	-	-	-	10,201	266,059	-	276,260
Investments in jointly controlled entities	-	-	-	-	-	50,956	21,253	72,209
Non-current assets classified as held for sale and discontinued operations	-	-	-	-	-	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								1,924,210
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	-	496,798
Liabilities directly associated with non-current assets classified as held for sale and discontinued operations	-	-	-	-	-	11,989	-	11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								510,750
Other information								
Capital expenditure	18	1,237	21,654	126,649	537	40,993	-	191,088
Depreciation	37	1,809	9,510	3,332	510	2,930	-	18,128
Amortisation on leasehold land and land use rights	-	-	603	729	2	173	-	1,507

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

(b) **Secondary reporting format – geographical segments**

The Group operates in two main geographical areas:

- Hong Kong – securities trading and investment, corporate finance and stockbroking, investment holding, property holding and management
- Chinese Mainland – container transportation and freight forwarding services, hotel operation, sales of motor vehicle meters and components and sales of child products

	Revenue	Segment	Total	Capital
	2006	results	assets	expenditure
	2006	2006	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	265,052	99,838	784,341	1,105
Chinese Mainland	1,053,743	10,456	909,743	59,624
Others	494	(6,635)	26,510	322
	<u>1,319,289</u>	<u>103,659</u>	<u>1,720,594</u>	<u>61,051</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>	
	Revenue	Segment	Total	Capital
	Restated	results	assets	expenditure
	2005	2005	2005	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	123,455	28,439	610,226	1,544
Chinese Mainland	1,024,569	(45,631)	502,574	189,526
Others	438	4,569	45,968	18
	<u>1,148,462</u>	<u>(12,623)</u>	<u>1,158,768</u>	<u>191,088</u>
Investments in associated companies			276,260	
Investments in jointly controlled entities			72,209	
Non-current assets classified as held for sale and discontinued operations			412,367	
Tax recoverable			4,003	
Deferred tax assets			603	
Total assets			<u>1,924,210</u>	

There are no sales among the geographical segments.

3. OTHER GAINS/(LOSSES) – NET

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Provision for diminution in value of available-for-sale financial assets	(2,341)	(7,800)
Interest income	15,598	3,993
Dividend income	2,965	660
	<hr/>	<hr/>
Investment income, net	16,222	(3,147)
Net fair value gains on investment properties	12,239	1,261
	<hr/>	<hr/>
	28,461	(1,886)

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after crediting and charging the following:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Crediting		
Net gain on disposal of interest in subsidiaries	13,897	161
Net gain on disposal of partial interest in an associated company	–	2,966
Recovery of bad debts previously written off	–	161
Net gain on disposal of property, plant and equipment	–	159
Net foreign exchange gain	963	614
Negative goodwill charged to income statement	–	1,470
	<hr/>	<hr/>
Charging		
Depreciation	36,861	18,128
Amortisation of leasehold land and land use rights	1,275	1,507
Impairment losses on trading rights and patent	500	–
Impairment losses on goodwill	–	13,667
Direct expense in respect of container transportation and freight forwarding services	888,286	929,338
Cost of inventories	37,348	32,013
Staff costs	195,919	117,622
Operating lease rental in respect of land and buildings	8,514	4,059
Auditors' remuneration	3,087	1,830
Provision for doubtful debts	5,768	3,748
Provision for obsolete stock	1,663	–
Net loss on deemed disposal of partial interest in an associated company	3,904	–
Net loss on disposal of property, plant and equipment	373	–
	<hr/>	<hr/>

5. TAXATION

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong profits tax		
Current	5,175	3,494
Under-provision in previous years	88	169
Overseas taxation		
Current	11,389	720
Under-provision in previous years	614	–
Deferred taxation	(648)	(746)
	<hr/>	<hr/>
Taxation charge	16,618	3,637

6. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$236,573,000 (2005: HK\$76,320,000). The basic earnings per share is based on the weighted average number of 1,188,096,023 (2005: 1,175,441,673) shares in issue during the year. The diluted earnings per share is based on 1,211,050,276 (2005: 1,192,483,905) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 22,954,253 (2005: 17,042,232) shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. DIVIDENDS

The dividends paid in 2006 and 2005 were HK\$41,635,000 (HK\$0.035 per ordinary share) and HK\$11,737,000 (HK\$0.01 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2006 of HK\$0.005 (2005: HK\$0.015) per ordinary share, amounting to a total final dividend of HK\$5,969,000 (2005: HK\$17,758,000) is to be proposed at the Annual General Meeting on 25th May 2007. These financial statements do not reflect this final dividend payable.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interim dividend paid of HK\$0.02 (2005: Nil) per ordinary share	23,877	–
Proposed final dividend of HK\$0.005 (2005: HK\$0.015) per ordinary share	5,969	17,758
	<u>29,846</u>	<u>17,758</u>

8. TRADE RECEIVABLES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	34,309	25,486
Trade receivables, net	122,507	291,361
Bills receivable	747	863
	<u>157,563</u>	<u>317,710</u>

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables are approximately the same as the carrying value.

The ageing analysis of the trade receivables is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 – 30 days	125,300	164,240
31 – 60 days	8,084	105,428
61 – 90 days	6,024	33,929
Over 90 days	18,155	14,113
	<u>157,563</u>	<u>317,710</u>

9. TRADE AND OTHER PAYABLES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Due to stockbrokers and dealers	1,918	–
Due to stockbroking clients	75,260	53,575
Trade payables	39,735	198,470
Total trade payables	116,913	252,045
Accruals and other payables	107,345	79,122
	<u>224,258</u>	<u>331,167</u>

The ageing analysis of the trade payables is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 – 30 days	93,087	162,562
31 – 60 days	4,557	64,616
61 – 90 days	2,878	8,482
Over 90 days	16,391	16,385
	<u>116,913</u>	<u>252,045</u>

10. COMMITMENTS

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Contracted but not provided for	<u>41,803</u>	<u>11,655</u>
Authorised but not contracted for	<u>320,348</u>	<u>172,638</u>
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Contracted but not provided for	<u>5,059</u>	<u>13,163</u>

(b) Commitments under operating leases

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Not later than one year	1,735	–
Later than one year but not later than five years	717	–
	<u>2,452</u>	<u>–</u>

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Not later than one year	7,251	8,746
Later than one year but not later than five years	7,858	9,906
	<u>15,109</u>	<u>18,652</u>

11. EVENT AFTER THE BALANCE SHEET DATE

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 to KHI-11 Ltd., being a third party independent of the Company, at a consideration of approximately RMB201.5 million (equivalent to approximately HK\$204.2 million).

BUSINESS OVERVIEW

The Group has achieved encouraging results in overall performance in 2006. For the year ended 31st December 2006, the Group achieved a net profit attributable to shareholders of approximately HK\$237 million, representing 210% increase from 2005. This result is mainly contributed by the gain on disposal of our investment in Geoby International Holdings Limited (“Geoby”), amounting to approximately HK\$100 million, which was completed in January 2006. In addition, the Group sold the properties held by Fu Hai Digital Science & Technology (Shanghai) Company Limited (“Fu Hai”) in Shanghai, with a recognised gain of approximately HK\$55 million in 2006.

The continuing operations of the Group have also achieved substantial improvement in 2006, with an increase in net profit of 135% from approximately HK\$29 million in 2005 to approximately HK\$68 million in 2006. Revenue of the Group grew by 15% from approximately HK\$1,148 million in 2005 to approximately HK\$1,319 million in 2006.

With the brisk activities of the Hong Kong stock market, the average daily turnover reported up to HK\$47 billion, representing 148% increase from that of 2005. Hang Seng Index surpassed the 20,000 mark for the first time in history while the Hang Seng China Enterprises Index set a record level of over 90% increase over the year. Our Group’s financial services arm was able to capitalise on this opportunity, especially for our Securities Investment Division and Brokerage Division. Both the Group’s daily average margin client portfolio and average margin loan amount have shown record high during the year of 2006 of approximately HK\$1,111 million and HK\$130 million respectively. Significant gross profits were recorded for these two divisions tipping with approximately HK\$127 million and HK\$101 million respectively. This is mainly attributable to the huge surge of securities trading income and brokerage commission income. On the other hand, due to the tightened listing requirements imposed by the PRC authorities, our Corporate Finance Division was adversely affected and only one of its clients has been successfully listed on Stock Exchange of Hong Kong.

The container transportation and freight forwarding business of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. (“ZCIC”), is still the Group’s major revenue contributor, bringing approximately HK\$891 million to the Group. Despite this, thin profit margin was recorded as a result of keen market competition and the business recorded an operating loss before interest and taxation of approximately HK\$15 million.

Kunshan Traders Park Hotel (“KS Hotel”) commenced business in October 2005 and held its grand opening in March 2006. With high customer demand within the region and a good brand name, Shangri-la, the average occupancy rate has exceeded our expectation and maintained at 61% in 2006. It recorded an operating profit before interest and taxation of approximately HK\$6 million.

All remaining commercial properties of Phase One in Shanghai High-tech Park held by Shanghai Zhangjiang Information Technology Company Limited (“Zhangjiang”), a 50% owned jointly controlled entity, were sold in 2006 and brought a satisfactory return to the Group.

In 2006, China Assets (Holdings) Limited (“China Assets”), the major associated company of the Group, has reported significant drops in its net profit. China Assets continued to sell its investments in KongZhong Corporation, one of its major investments. The share price of KongZhong Corporation dropped during the year due to the change of relevant rules that adversely affecting its business growth. This impact has been partially set off by the return from an investment on a real estate fund and an over-the-counter equity linked option.

PROSPECTS

In April 2007, the Company entered into an agreement with Kingdom Hotel Investments, a leading international hotel and resort investment company based in Dubai, for the disposal of its entire interest in KS Hotel at a consideration of approximately RMB201.5 million (equivalent to approximately HK\$204.2 million). The transaction is the first acquisition of Kingdom Hotel Investments in China. The resulting gain on disposal will recognise in the first half of 2007. The cash consideration received will enhance the Group’s financial position and improve the Group’s capacity to acquire potential investment in line with the investment strategy of the Group.

Following the success in property development projects in Beijing and Shanghai including those through Zhangjiang and Fu Hai over the past few years, the Group is confident in speeding its expansion plan for property development business, targeting in Yangtze River Delta and Pearl River Delta. Phase Two of Zhangjiang development project was completed in late 2006. The Group plans to hold these commercial properties for lease. Besides, the Group has also engaged in three new property development projects: a health care and recreation property development project in Zhongshan (near Macau) and two property development projects in Kunshan (bordering with Shanghai) for office and residential use.

With the strong performance in the Hong Kong stock market in 2006, we believe the upward trend will continue with expectation for Renminbi appreciation and improvement in the financial conditions of Hong Kong individuals. The Group will capture this growth momentum by enhancing its trading system and strengthening its brokerage team for the provision of professional consulting services for customers.

In view of the keen market competition and thin profit margin of ZCIC, the Group has conducted certain restructure plan to reduce the operating cost in 2006 with unsatisfactory results. The Group has plans to terminate the remaining freight forwarding business in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31st December 2006, the Group recorded a net profit attributable to shareholders of approximately HK\$237 million, representing an increase of 210% over 2005 of approximately HK\$76 million. Basic earnings per share attributable to the shareholders of the Company grew from HK6.49 cents in 2005 to HK19.91 cents in 2006. Revenue of the Group is approximately HK\$1,319 million, which recorded an increase of 15% from 2005.

Disposal of interest in jointly controlled entities

On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in Geoby International Holdings Limited and its subsidiaries (“Geoby”) to Pacific United Development Limited (ultimately controlled by the management team of Geoby) and G-Baby Holding Limited (a third party independent of the Company), at a consideration of US\$1,544,399 and US\$58,032,683 respectively. Upon completion of the transaction in January 2006, the Company has no interest in Geoby thereon and has recorded a gain of approximately HK\$100 million in the consolidated results for the year ended 31st December 2006.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects. As at 31st December 2006, the Group had raised bank loans of approximately HK\$147 million and held approximately HK\$476 million cash reserves. The gearing ratio (total borrowings to shareholders’ fund) is at the level of 8.7%. Investment in ‘financial assets at fair value through income statement’ as at 31st December 2006 amounted to approximately HK\$158 million.

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

Pledge of assets

Certain properties and leasehold land of the Group with an aggregate net book value of approximately HK\$76 million as at 31st December 2006 (2005: approximately HK\$96 million) as well as fixed deposits of approximately HK\$32 million (2005: approximately HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to approximately HK\$161 million (2005: approximately HK\$45 million) granted to the Group.

Employees

As at 31st December 2006, the Group employed 1,013 staff, of which 922 are located in the 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 year ended 31st December 2006 amounted to approximately HK\$196 million.

Contingent Liabilities

As at 31st December 2006, the Group had no material contingent liabilities.

DIVIDEND

An interim dividend of HK\$0.02 (2005: Nil) per ordinary share, totalling HK\$23,877,000 (2005: Nil) was paid to shareholders of the Company on 31st October 2006.

The Board of Directors recommends the payment of a final dividend of HK\$0.005 (2005: HK\$0.015) per ordinary share, totalling HK\$5,969,000 (2005: HK\$17,758,000), which together with the interim dividend payment to a total of HK\$29,846,000 (2005: HK\$17,758,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21st May 2007 to Friday, 25th May 2007, 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 4:30 p.m. on Friday, 18th May 2007. Subject to shareholders' approval of payment of the final dividend, dividend warrants will be dispatched on 27th June 2007.

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 2006.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board of Directors 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 market recommendations to the Board. During the year ended 31st December 2006, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the Group's accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's internal auditor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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.

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 deviations.

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.

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. In accordance with the Articles of Association of the Company, at every general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third, shall be subject to retirement by rotation. The Board will review the current situation from time to time and shall make necessary arrangements when the Board consider appropriate.

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.

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

The Company will submit to The Stock Exchange of Hong Kong Limited ("HKSE") on or before 30th April 2007 a compact disc containing all the information required by the Listing Rules for uploading onto HKSE's website (<http://www.hkex.com.hk>).

BOARD OF DIRECTORS

As at the date hereof, the Board of Directors of the Company comprises the following Directors:–

Executive Directors:–

Mr. Lao Yuan Yi (*Chairman*)
Mr. Xin Shulin, Steve
Mr. Yeung Wai Kin
Mr. Hu Yi Ming

Independent Non-Executive Directors:–

Prof. Woo Chia Wei
Mr. Liu Ji
Mr. Yu Qi Hao

Non-Executive Directors:–

Mr. Kwok Lam Kwong, Larry, *J.P.*

By order of the Board
LAO Yuan Yi
Chairman

Hong Kong, 20th April 2007

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