



# FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 227)

## ANNOUNCEMENT OF 2006 INTERIM RESULTS

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 (collectively the “Group”) for the six months ended 30th June 2006 together with the comparative figures for the corresponding period last year as follows:

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	<i>Note</i>	<b>Unaudited Six months ended 30th June 2006 HK\$'000</b>	<b>2005 HK\$'000 (As restated)</b>
<b>Continuing operations</b>			
Sales	3	872,037	362,417
Cost of sales		<u>(782,791)</u>	<u>(311,238)</u>
Gross profit		89,246	51,179
Other gains – net		129,636	20,251
Selling and distribution costs		(3,086)	(262)
Administrative expenses		<u>(115,846)</u>	<u>(70,015)</u>
Operating profit	3 and 4	99,950	1,153
Finance costs		(9,472)	(2,111)
Share of profits less losses of			
– Associated companies		(17,951)	(6,980)
– Jointly controlled entities		<u>9,408</u>	<u>655</u>
Profit/(loss) before taxation		81,935	(7,283)
Taxation	6	<u>(1,526)</u>	<u>(2,103)</u>
Profit/(loss) for the period from continuing operations		80,409	(9,386)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	14	<u>5,735</u>	<u>25,042</u>
<b>Profit for the period</b>		<u><b>86,144</b></u>	<u><b>15,656</b></u>
<b>Profit attributable to</b>			
– Shareholders of the Company		89,888	14,936
– Minority interests		<u>(3,744)</u>	<u>720</u>
		<u><b>86,144</b></u>	<u><b>15,656</b></u>
<b>Basic earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period</b>			
– Continuing operations		HK7.12 cents	HK(0.86) cents
– Discontinued operations		HK0.48 cents	HK2.13 cents
	8	<u><b>HK7.60 cents</b></u>	<u><b>HK1.27 cents</b></u>
<b>Diluted earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period</b>			
– Continuing operations		HK6.97 cents	HK(0.85) cents
– Discontinued operations		HK0.48 cents	HK2.10 cents
	8	<u><b>HK7.45 cents</b></u>	<u><b>HK1.25 cents</b></u>
<b>Interim dividend</b>	7	<u><b>23,701</b></u>	<u><b>–</b></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
<b>Non-current assets</b>			
Intangible assets	9	3,493	3,893
Property, plant and equipment	9	275,820	262,203
Investment properties	9	31,368	19,260
Leasehold land and land use rights	9	66,056	66,377
Investments in associated companies		265,689	276,260
Investments in jointly controlled entities		67,778	72,209
Deferred tax assets		1,313	603
Available-for-sale financial assets		72,486	63,433
Loans receivable	10	23,657	23,027
		807,660	787,265
		807,660	787,265
<b>Current assets</b>			
Inventories		20,584	18,531
Loans and advances		85,886	97,295
Trade receivables	11	353,213	317,710
Other receivables, prepayments and deposits		63,043	56,987
Tax recoverable		2,737	4,003
Financial assets at fair value through income statement		158,864	80,062
Assets classified as held for sale	14	79,935	412,367
Bank deposits with original maturities over three months		33,014	–
Cash and cash equivalents		433,172	149,990
		1,230,448	1,136,945
		1,230,448	1,136,945
<b>Current liabilities</b>			
Trade and other payables	12	341,808	331,167
Taxation payable		1,306	1,447
Short-term borrowings			
– Secured		37,391	56,293
– Unsecured		3,042	22,060
Liabilities directly associated with assets classified as held for sale	14	–	11,989
		383,547	422,956
		383,547	422,956
<b>Net current assets</b>		846,901	713,989
		846,901	713,989
<b>Total assets less current liabilities</b>		1,654,561	1,501,254
		1,654,561	1,501,254
<b>Non-current liabilities</b>			
Deferred tax liabilities		445	516
Long-term borrowings, secured		145,680	87,278
		146,125	87,794
		146,125	87,794
<b>Net assets</b>		1,508,436	1,413,460
<b>Equity</b>			
Share capital	13	237,014	236,406
Reserves		1,200,007	1,104,767
		1,437,021	1,341,173
Capital and reserves attributable to shareholders of the Company		1,437,021	1,341,173
Minority interests		71,415	72,287
		1,508,436	1,413,460
<b>Total equity</b>		1,508,436	1,413,460

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2006 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 report should be read in conjunction with the annual financial statements for the year ended 31st December 2005.

### 2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those as described in the annual financial statements for the year ended 31st December 2005 with the additions of the following new amendments to standards and interpretations which are mandatory for financial year ending 31st December 2006. The adoption of such amendments to standards or interpretations does not result in substantial changes to the Group’s accounting policies and has no significant effect on the interim results reported.

- Amendment to HKAS 39, Amendment “The fair value option”;
- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial guarantee contracts”; and
- HK(IFRIC)-Int 4, “Determining whether an arrangement contains a lease”.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2006 which are not relevant to the Group:

- Amendment to HKAS 19, “Actuarial gains and losses, group plans and disclosures”;
- Amendment to HKAS 21, Amendment “Net investment in a foreign operation”;
- Amendment to HKAS 39, Amendment “Cash flow hedge accounting of forecast intra-group transactions”;
- HKFRS 6, “Exploration for and evaluation of mineral resources”;
- HK(IFRIC)-Int 5, “Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds”; and
- HK(IFRIC)-Int 6, “Liabilities arising from participating in a specific market – waste electrical and electronic equipment”.

The following new standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1st March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK(IFRIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1st May 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group’s operations;
- HK(IFRIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1st June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9; and
- HKFRS 7, “Financial instruments: Disclosures” and HKAS 1, “Amendments to capital disclosures”, both effective for annual periods beginning on or after 1st January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1st January 2007.

Certain comparative figures have been reclassified to conform with the current year’s presentation. The changes relate to a more meaningful classification among other gains – net, selling and distribution costs and administrative expenses.

### 3. 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.

#### 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 vehicles meters and components
- Investment holding, property holding and management
- Sales of child products

The unaudited segment results and capital expenditure of the Group for the six months ended 30th June 2006 are as follows:

	Securities trading and investment HK\$'000	Corporate finance and stockbroking HK\$'000	Container transportation and freight forwarding services HK\$'000	Hotel operation HK\$'000	Sales of motor vehicles meters and components HK\$'000	Investment holding, property holding and management HK\$'000	Sales of child products HK\$'000	Group HK\$'000
Sales	<u>181,772</u>	<u>49,257</u>	<u>571,286</u>	<u>34,739</u>	<u>17,442</u>	<u>17,541</u>	<u>-</u>	<u>872,037</u>
Segment results	<u>15,140</u>	<u>11,476</u>	<u>(3,876)</u>	<u>1,670</u>	<u>(962)</u>	<u>76,502</u>	<u>-</u>	<u>99,950</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	9,408
Profit before taxation								81,935
Taxation								(1,526)
Profit for the period from continuing operations								80,409
Profit for the period from discontinued operations (note 14)	-	-	-	-	-	-	5,735	5,735
Profit for the period								<u>86,144</u>
Other information								
Capital expenditure	291	430	1,412	22,305	45	18,172	-	42,655
Depreciation	237	625	5,097	6,215	270	7,248	-	19,692
Amortisation of leasehold land and land use rights	-	-	306	233	1	83	-	623

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

The unaudited segment results and capital expenditure of the Group for the six months ended 30th June 2005 are as follows:

	Securities trading and investment <i>HK\$'000</i>	Corporate finance and stockbroking <i>HK\$'000</i>	Container transportation and freight forwarding services <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Sales of motor vehicles meters and components <i>HK\$'000</i>	Investment holding, property holding and management <i>HK\$'000</i>	Sales of child products <i>HK\$'000</i>	Group <i>HK\$'000</i>
Sales	38,111	36,691	259,545	–	16,758	11,312	–	362,417
Segment results	4,473	11,104	(1,168)	–	(1,399)	(11,857)	–	1,153
Finance costs								(2,111)
Share of profits less losses of								
– Associated companies	–	–	–	–	(2,393)	(6,585)	1,998	(6,980)
– Jointly controlled entities	–	–	–	–	–	157	498	655
Loss before taxation								(7,283)
Taxation								(2,103)
Loss for the period from continuing operations								(9,386)
Profit for the period from discontinued operations (note 14)	–	–	–	–	–	–	25,042	25,042
Profit for the period								15,656
Other information								
Capital expenditure	173	121	11,578	–	117	55,749	–	67,738
Depreciation	155	772	3,023	–	245	1,944	–	6,139
Amortisation of leasehold land and land use rights	–	–	302	–	1	86	–	389

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

The unaudited segment assets and liabilities of the Group as at 30th June 2006 are as follows:

	Securities trading and investment <i>HK\$'000</i>	Corporate finance and stockbroking <i>HK\$'000</i>	Container transportation and freight forwarding services <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Sales of motor vehicles meters and components <i>HK\$'000</i>	Investment holding, property holding and management <i>HK\$'000</i>	Sales of child products <i>HK\$'000</i>	Group <i>HK\$'000</i>
Segment assets	132,588	338,929	356,825	236,861	36,800	518,653	–	1,620,656
Investments in associated companies	–	–	–	–	11,430	254,259	–	265,689
Investments in jointly controlled entities	–	–	–	–	–	46,175	21,603	67,778
Assets classified as held for sale (note 14)	–	–	–	–	–	79,935	–	79,935
Tax recoverable								2,737
Deferred tax assets								1,313
Total assets								2,038,108
Segment liabilities	7,955	111,363	162,745	161,230	29,948	54,680	–	527,921
Taxation payable								1,306
Deferred tax liabilities								445
Total liabilities								529,672

The audited segment assets and liabilities of the Group as at 31st December 2005 are as follows:

	Securities trading and Investment HK\$'000	Corporate finance and stockbroking HK\$'000	Container transportation and freight forwarding services HK\$'000	Hotel operation HK\$'000	Sales of motor vehicles meters and components HK\$'000	Investment holding, property holding and management HK\$'000	Sales of child products HK\$'000	Group HK\$'000
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
Assets classified as held for sale (note 14)	-	-	-	-	-	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								<u>1,924,210</u>
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	-	496,798
Liabilities directly associated with assets classified as held for sale (note 14)	-	-	-	-	-	11,989	-	11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								<u>510,750</u>

#### 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 vehicles meters and components and sales of child products

Sales are allocated based on the country in which the customers are located. Total assets and capital expenditure are allocated based on where the assets are located.

	Unaudited			Capital expenditure
	Sales	Segment results	Total assets	Six months ended
	Six months ended	30th June	As at 30th June	30th June 2006
	2006	2006	2006	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	233,778	109,806	849,734	448
Chinese Mainland	638,134	(5,308)	744,120	41,922
Others	125	(4,548)	26,802	285
	<u>872,037</u>	<u>99,950</u>	<u>1,620,656</u>	<u>42,655</u>
Investments in associated companies			265,689	
Investments in jointly controlled entities			67,778	
Assets classified as held for sale (note 14)			79,935	
Tax recoverable			2,737	
Deferred tax assets			1,313	
Total assets			<u>2,038,108</u>	

	Unaudited		Audited	Unaudited
	Sales	Segment results	Total assets	Capital
	Six months ended 30th June		As at	expenditure
	2005	2005	31st December	Six months ended
	HK\$'000	HK\$'000	2005	30th June 2005
			HK\$'000	HK\$'000
Hong Kong	79,329	11,610	610,226	1,337
Chinese Mainland	282,990	(17,641)	502,574	66,228
Others	98	7,184	45,968	173
	<u>362,417</u>	<u>1,153</u>	<u>1,158,768</u>	<u>67,738</u>

Investments in associated companies			276,260	
Investments in jointly controlled entities			72,209	
Assets classified as held for sale (note 14)			412,367	
Tax recoverable			4,003	
Deferred tax assets			603	
Total assets			<u>1,924,210</u>	

Note: There are no sales among the geographical segments.

#### 4. OPERATING PROFIT

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

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
<b>Crediting:</b>		
Gain on disposal of subsidiaries	3,633	–
Gain on disposal of jointly controlled entities	101,702	–
Gain on disposal of available-for-sale financial assets	–	1,415
Gain on disposal of property, plant and equipment	–	51
Fair value gain on financial assets at fair value through income statement	<u>20,858</u>	<u>17,665</u>
<b>Charging:</b>		
Depreciation	19,692	6,139
Amortisation of leasehold land and land use rights	623	389
Amortisation of intangible assets	–	540
Staff costs (Note 5)	101,535	51,973
Impairment loss on goodwill	–	13,667
Impairment loss on intangible assets	400	–
Loss on disposal of property, plant and equipment	225	–
Fair value loss on financial assets at fair value through income statement	<u>4,790</u>	<u>3,614</u>

#### 5. STAFF COSTS

Staff costs, including directors' remuneration, comprise:

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Wages, salaries and allowance	79,722	46,456
Medical and other benefits	5,624	1,915
Pension costs – defined contribution plans	3,314	3,602
Employees share option benefits	12,875	–
	<u>101,535</u>	<u>51,973</u>

## 6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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/(credited) to the consolidated income statement represents:

	Unaudited Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current	1,257	1,886
– Under-provision in previous years	58	169
Overseas profits tax		
– Current	444	142
– Under-provision in previous years	547	–
Deferred taxation	(780)	(94)
	<u>1,526</u>	<u>2,103</u>
Taxation charge	<u>1,526</u>	<u>2,103</u>

## 7. DIVIDEND

	Unaudited Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend, of HK\$0.02 (2005: Nil) per ordinary share	<u>23,701</u>	<u>–</u>

At a meeting held on 12th September 2006 the Board declared an interim dividend of HK\$0.02 (2005: Nil) per ordinary share in respect of the results for the six months ended 30th June 2006. The interim dividend is not reflected as a dividend payable in these unaudited interim financial statements.

At a meeting held on 21st April 2006, the Board declared a final dividend of HK\$0.015 (2004: HK\$0.01) per ordinary share for the year ended 31st December 2005. Total amount of approximately HK\$ 17,758,000 (2005: HK\$11,737,000) was paid in 2006 and has been fully reflected as an appropriation of retained earnings for the six months ended 30th June 2006.

## 8. 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\$89,888,000 (2005: HK\$14,936,000). The basic earnings per share is based on the weighted average number of 1,182,511,448 (2005: 1,173,691,705) ordinary shares in issue during the period. The diluted earnings per share is based on 1,206,893,204 (2005: 1,191,673,231) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 24,381,756 (2005: 17,981,526) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 9. CAPITAL EXPENDITURE

	Unaudited			
	Intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book value at 1st January 2006	3,893	262,203	19,260	66,377
Additions	–	30,547	12,108	–
Disposals	–	(228)	–	–
Depreciation and amortisation (note 4)	–	(19,692)	–	(623)
Impairment loss (note 4)	(400)	–	–	–
Currency translation differences	–	2,990	–	302
	<u>3,493</u>	<u>275,820</u>	<u>31,368</u>	<u>66,056</u>
Net book value at 30th June 2006	<u>3,493</u>	<u>275,820</u>	<u>31,368</u>	<u>66,056</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 2005	18,641	141,259	10,950	89,177
Additions	–	191,088	–	–
Disposals	–	(126)	–	–
Disposal of a subsidiary	–	(53)	–	–
Transfer between categories	–	(2,350)	7,457	(5,107)
Transfer to assets classified as held for sale ( <i>note 14</i> )	–	(51,481)	–	(16,876)
Depreciation and amortisation	(1,096)	(18,128)	–	(1,507)
Impairment loss	(13,667)	–	–	–
Net increase in fair value of investment properties	–	–	853	–
Currency translation differences	15	1,994	–	690
	<u>15</u>	<u>1,994</u>	<u>–</u>	<u>690</u>
Net book value at 31st December 2005	<u>3,893</u>	<u>262,203</u>	<u>19,260</u>	<u>66,377</u>

#### 10. LOANS RECEIVABLE

The loans receivable represents loans to third parties of approximately HK\$11,295,000 (31st December 2005: HK\$11,154,000) which bear weighted average interest rate at 5% (31st December 2005: 5.6%) per annum, and an interest free loan of approximately HK\$12,362,000 (31st December 2005: HK\$11,873,000) are repayable after one year from 30th June 2006. The carrying value of loans receivable approximate to its fair value. The weighted average effective interest rate at 30th June 2006 was 6.72% (31st December 2005: 7.1%).

#### 11. TRADE RECEIVABLES

	Unaudited 30th June 2006 <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	66,315	25,486
Trade receivables, net	286,752	291,361
Bills receivables	146	863
	<u>353,213</u>	<u>317,710</u>

At 30th June 2006 and 31st December 2005, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2006 <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
0 – 30 days	220,649	164,240
31 – 60 days	74,799	105,428
61 – 90 days	35,006	33,929
Over 90 days	22,759	14,113
	<u>353,213</u>	<u>317,710</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.

## 12. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
Due to stockbrokers and dealers	10,258	–
Due to stockbroking clients	98,394	53,575
Trade payables	148,651	198,470
Other payables and accruals	84,505	79,122
	<u>341,808</u>	<u>331,167</u>

At 30th June 2006 and 31st December 2005, the ageing analysis of the amount due to stockbrokers, dealers and stockbroking client and trade payables is as follows:

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
0 – 30 days	203,172	162,562
31 – 60 days	23,579	64,616
61 – 90 days	9,984	8,482
Over 90 days	20,568	16,385
	<u>257,303</u>	<u>252,045</u>

## 13. SHARE CAPITAL

	Unaudited 30th June 2006		Audited 31st December 2005	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
<i>Authorised:</i>				
Ordinary share of HK\$0.2 each	<u>2,000,000</u>	<u>400,000</u>	<u>2,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>				
At 1st January	1,182,030	236,406	1,173,692	234,738
Exercise of share options	<u>3,039</u>	<u>608</u>	<u>8,338</u>	<u>1,668</u>
	<u>1,185,069</u>	<u>237,014</u>	<u>1,182,030</u>	<u>236,406</u>

During the period, 3,038,640 new shares (2005: 8,338,000) 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 of HK\$0.318 per share. The related weighted average share price at the time of exercise was HK\$0.717 per share. These shares rank pari passu with the existing shares of the Company.

## 14. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The result of discontinued operations related to investment in Geoby International Holdings Limited (“Geoby”) have been presented as held for sale following the approval of the Company’s shareholders in December 2005 to sell Geoby. The transaction was completed in January 2006 and the gain has been recognised in the unaudited interim condensed financial statements.

The assets and liabilities related to properties held by Fu Hai Digital Science & Technology (Shanghai) Company Limited (“Fu Hai”) have been presented as held for sale following the approval of the Group’s management in November 2005. The transaction has been completed in August 2006.

An analysis of the result of discontinued operations, and the results recognised on the re-measurement of assets or disposal group is as follows:

	<b>Unaudited</b> <b>Six months ended 30th June</b> <b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
<b>Profit for the period from discontinued operations</b>		
Share of pre-tax profit of jointly controlled entities	5,032	31,268
Share of taxation of jointly controlled entities	703	(6,226)
	<u>5,735</u>	<u>25,042</u>
	<b>Unaudited</b> <b>30th June 2006</b> <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
<b>Assets classified as held for sale</b>		
Investments in jointly controlled entities	–	344,010
Property, plant and equipment	62,846	51,481
Leasehold land and land use rights	17,089	16,876
	<u>79,935</u>	<u>412,367</u>
	<b>Unaudited</b> <b>30th June 2006</b> <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Short-term borrowings – unsecured	–	11,989

## 15. COMMITMENTS

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

	<b>Unaudited</b> <b>30th June 2006</b> <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
Contracted but not provided for	<u>77,699</u>	<u>11,655</u>
Authorised but not yet contracted for	<u>159,257</u>	<u>172,638</u>
The Group's share of capital commitments of a jointly controlled entity not included in the above is as follows:		
Contracted but not provided for	<u>10,396</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:

	<b>Unaudited</b> <b>30th June 2006</b> <i>HK\$'000</i>	Audited 31st December 2005 <i>HK\$'000</i>
Not later than one year	580	–
Later than one year but not later than five years	128	–
	<u>708</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:

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
Not later than one year	14,112	8,746
Later than one year but not later than five years	10,363	9,906
	<u>24,475</u>	<u>18,652</u>

## 16. 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) Purchase of investment properties by the Group from a jointly controlled entity

Name of related party	Unaudited Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Shanghai Zhangjiang Information Properties Company Limited	<u>12,108</u>	<u>—</u>

### (b) Key management compensations:

	Unaudited Six months ended 30th June 2006 HK\$'000	2005 HK\$'000
Fee	600	600
Salaries and other short-term employee benefits	24,346	2,773
Retirement scheme contributions	260	260
Employees share option benefits	9,610	—
	<u>34,816</u>	<u>3,633</u>

## 17. CONTINGENT LIABILITIES

As at 30th June 2006, the Group had no material contingent liabilities.

## OPERATION REVIEW

For the six months ended 30th June 2006, the Group achieved a profit attributable to shareholders of approximately HK\$90 million, representing a sharp increase of 502% from the corresponding period last year. The substantial increase in profit is mainly contributed by the gain on disposal of our investment in Geoby International Holdings Limited (“Geoby”) which was completed in January 2006.

The Group’s turnover grew from approximately HK\$362 million to approximately HK\$872 million in the period, representing an increase of 141%. The air freight forwarding business of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. (“ZCIC”) is expanding and pushed up the turnover of the Group. Despite the significant increase in turnover, ZCIC recorded a loss in the six months ended 30th June 2006. The performance of ZCIC was seriously affected by keen competition in the market. In view of the encouraging market sentiment in the Hong Kong stock market during the period under review, the Group increased the securities trading activities and thus increased the turnover of the Group.

In the first half of 2006, the Hong Kong Stock Exchange recorded an average daily turnover of approximately HK\$32 billion, a growth of approximately 93% from approximately HK\$17 billion for last corresponding period. Benefited from the significant improvement in market activity, our Brokerage Division recorded a satisfactory increase in both revenue and profit attributable to the Group. The business of our Corporate Finance Division was affected by the tightened listing requirements imposed by the PRC authorities and suffered a loss in the period.

The Kunshan Traders Hotel (“Kunshan Hotel”) commenced operation in October 2005 and the grand opening was launched in March 2006. In the first half of 2006, the room occupancy rate is approximately 55% which is above our expectation. As the hotel business is still in an initial stage of development, its revenue is not sufficient to cover the fixed costs and thus Kunshan Hotel recorded a net loss in the period.

Shanghai Zhangjiang Information Properties Company Limited (“SZIPCL”), a 50% owned jointly controlled entity, has sold out all the remaining developed units and contributed satisfactory returns to the Group during the period under review.

China Assets (Holdings) Limited (“China Assets”) suffered a loss of unrealised loss recognised from the drop in market price of its major listed investment, Kongzhong Corporation.

## **PROSPECTS**

Disposal of the properties in Shanghai Zhangjiang Hi-Tech Park was completed in August 2006 and the profit on disposal will be recorded in the second half of 2006. As mentioned in the 2005 Annual Report, SZIPCL has entered into a conditional sale and purchase agreement to sell certain commercial properties and the transaction is expected to be completed by the first quarter of 2007. Following the success in the above property development projects, the Group is now developing an office building and a residential building in HuaQiao, Kunshan. The properties will be completed by the end of 2007. In June 2006, the Group has entered into an agreement to acquire the land use rights of a site and the buildings under construction thereon known as Sheng Xian Garden in Zhong Shan. We will complete the construction of the properties for residential use and as health care and anti-aging center and expect to complete the project by June 2009.

It seems that the implementation of reduced minimum securities trading spreads in July 2006 has adverse effects to the investors’ trading activities. Compared to the first half of 2006, the average daily turnover of the Hong Kong Stock Exchange decreased in recent two months. Furthermore, competition in the industry especially the aggressive participation from banks is a great challenge to our Brokerage Division. Despite the foreseeable difficulties, we are confident that our experienced professional brokerage team can perform in line with the market performance. Contribution from Corporate Finance Division will improve in the second half of the year as applications for listing of several clients are come to the final stage. We expect one to two of them will be listed in the Hong Kong Stock Exchange before the year end.

To retain profitable, ZCIC is now emphasizing in cost control and certain restructure plan may be carried out to reduce the operating cost.

Managed by Shangri-La hotel management group, Kunshan Hotel is building good reputation in the region. The room occupancy rate is beyond our expectation due to the growth in corporate clients. We feel comfortable with the recent development pace of Kunshan Hotel and believe that it will contribute reasonable return to the Group in future.

After disposal of our investments in Geoby, the management is actively seeking various investment opportunities in the PRC to ensure the Group retains sufficient high potential assets to generate satisfactory return in future.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

For the six months ended 30th June 2006, the Group recorded a profit attributable to shareholders of approximately HK\$90 million, representing an increase of six times over the same period of 2005 of approximately HK\$15 million. Basic earnings per share attributable to the shareholders of the Company grown from HK1.27 cents in 2005 to HK7.60 cents in 2006. Turnover of the Group is approximately HK\$872 million, which recorded an increase by 141% over the same period of 2005.

### **Disposal of a jointly controlled entity**

On 7th November 2005, the Company entered into two conditional agreements for the sales of its entire interest in 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. The transaction was completed in January 2006, thereafter the Group has no interest in Geoby and has recorded a gain of approximately HK\$102 million in the interim results.

## **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 30th June 2006, the Group had raised bank loans of approximately HK\$186 million and held approximately HK\$433 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 12%. Investment in "financial assets at fair value through income statement" as at 30th June 2006 amounted to approximately HK\$159 million.

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. We expected 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 of the Group with an aggregate net book value of approximately HK\$95 million as at 30th June 2006 (31st December 2005: HK\$96 million) as well as fixed deposits of approximately HK\$48 million (31st December 2005: HK\$15 million) were pledged as securities against bank loans and general banking facilities amounting to approximately HK\$200 million (31st December 2005: HK\$45 million) granted to the Group.

## **Employees**

As at 30th June 2006, the Group employed 1,544 (30th June 2005: 1,029) staff, of which 1,452 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 2006 amounted to approximately HK\$102 million.

## **Contingent liabilities**

As at 30th June 2006, the Group had no material contingent liabilities.

## **INTERIM DIVIDEND**

The Board recommends the payment of an interim dividend of HK\$0.02 (2005: Nil) per ordinary share, totaling approximately HK\$23,701,000 (2005: Nil).

## **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 2006 approved by the Board.

## **REMUNERATION COMMITTEE**

A Remuneration Committee, comprising two independent non-executive directors, Prof. Woo Chai 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 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.

**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.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Tuesday, 3rd October 2006 to Friday, 6th October 2006, 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 Friday, 29th September 2006. Dividend warrants will be despatched on 31st October 2006.

**PUBLICATION OF INTERIM RESULTS**

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and the interim report 2006 of the Company will also be published on the aforesaid website in due course.

**BOARD OF DIRECTORS**

As at the date hereof, the Board of Directors of the Company comprises four executive directors, Mr. Lao Yuan Yi, Mr. Xin Shulin, Steve, Mr. Yeung Wai Kin and Mr. Hu Yi Ming, one non-executive director, Mr. Kwok Lam Kwong, Larry, J.P., and three independent non-executive directors, Prof. Woo Chia Wei, Mr. Liu Ji, and Mr. Yu Qi Hao.

By order of the Board  
**LAO Yuan Yi**  
*Chairman*

Hong Kong, 12th September 2006

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