第一上海
FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2005 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 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2005** **HK$'000**	Restated 2004 *HK$'000*
Continuing operations:			
Sales	2	**1,254,728**	587,845
Cost of sales		**(1,119,839)**	(386,118)
Gross profit		**134,889**	201,727
Other gains – net		**14,776**	2,109
Selling and distribution costs		**(4,419)**	(13,463)
Administrative expenses		**(157,869)**	(172,947)
Operating (loss)/profit	2 & 3	**(12,623)**	17,426
Finance costs		**(8,409)**	(4,709)
Share of profits less losses of			
Associated companies		**36,331**	55,627
Jointly controlled entities		**17,527**	(5,285)
Profit before taxation		**32,826**	63,059
Taxation	4	**(3,637)**	(10,722)
Profit for the year from continuing operations		**29,189**	52,337
Discontinued operations:			
Profit for the year from discontinued operations	10(a)	**40,961**	28,728
Profit for the year		**70,150**	81,065
Profit attributable to:			
Shareholders of the Company		**76,320**	80,955
Minority interests		**(6,170)**	110
		70,150	81,065
Earnings per share for profit from continuing operations attributable to the shareholders of the Company during the year			
– basic	5	**HK3.01 cents**	HK4.45 cents
– diluted	5	**HK2.97 cents**	HK4.37 cents
Earnings per share for profit from discontinued operations attributable to the shareholders of the company during the year			
– basic	5	**HK3.48 cents**	HK2.45 cents
– diluted	5	**HK3.43 cents**	HK2.41 cents
Dividend	6	**17,730**	11,737

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Non-current assets			
Intangible assets		**3,893**	11,887
Property, plant and equipment		**262,203**	141,259
Investment properties		**19,260**	10,950
Leasehold land and land use rights		**66,377**	89,177
Investments in associated companies		**276,260**	370,798
Investments in jointly controlled entities		**72,209**	348,390
Deferred tax assets		**603**	–
Investment securities		**–**	89,471
Available-for-sale financial assets		**63,433**	–
Loans receivable		**23,027**	10,028
		787,265	1,071,960
Current assets			
Inventories		**18,531**	5,888
Other investments		**–**	2,425
Loans and advances		**97,295**	112,779
Trade receivables	7	**317,710**	120,886
Other receivables, prepayments and deposits		**56,987**	93,337
Tax recoverable		**4,003**	–
Financial assets at fair value through income statement		**80,062**	–
Cash and cash equivalents		**149,990**	201,972
		724,578	537,287
Non-current assets classified as held for sale	10(a)&(b)	**412,367**	–
		1,136,945	537,287

	Note	2005 HK$'000	Restated 2004 HK$'000
Current liabilities			
Trade and other payables	8	**331,167**	130,032
Taxation payable		**1,447**	3,202
Borrowings		**78,353**	86,863
		410,967	220,097
Liabilities directly associated with non-current assets classified as held for sale	*10(b)*	**11,989**	–
		422,956	220,097
Net current assets		**713,989**	317,190
Total assets less current liabilities		**1,501,254**	1,389,150
Non-current liabilities			
Deferred tax liabilities		**516**	659
Borrowings		**87,278**	–
		87,794	659
Net assets		**1,413,460**	1,388,491
Equity			
Share capital		**236,406**	234,738
Reserves		**1,104,767**	1,066,947
Capital and reserves attributable to the Company's shareholders		**1,341,173**	1,301,685
Minority interests		**72,287**	86,806
Total equity		**1,413,460**	1,388,491

1. BASIS OF PREPARATION

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, available-for-sale financial assets, financial assets and financial liabilities at fair value through income statement and investment properties, which are carried at fair value.

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 Company's accounting policies.

The accounting policies and methods of computation used in the preparation of this consolidated financial information are consistent with those used in last year, except the Group has changed certain of its accounting policies following the adoption of new HKFRS and HKAS, which have become effective for accounting periods beginning on or after 1st January 2005 and have not been early adopted by the Group for the preparation of the 2004 annual financial statements.

The adoption of new/revised HKFRS/HKAS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS/HKAS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirement.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets held for sale and Discontinued Operations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31 and 33 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Following the adoption of HKASs 32 and 39, the financial assets have been classified into available-for-sale financial assets, financial assets at fair value through income statement and loans and receivables. The classification depends on the purpose for which the investments were acquired. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. Loans and receivables are measured at amortised cost. The carrying amount of the asset is computed by discounting the future cash flows to the present value using the effective interest method.

The Group has adopted the transitional provisions of HKAS 39 as follows:

– redesignate all "investment securities" as "available-for-sale financial assets" or "loans and receivables", and "other investments" as "financial assets at fair value through income statement " at 1st January 2005;

– remeasure those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised cost at 1st January 2005.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the consolidated income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the consolidated income statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the consolidated income statement. Effective on 1st January 2005, the Group expenses the cost of share options in the consolidated income statement.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

– amortised on a straight line basis over its estimated useful economic life; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1st January 2005;

– accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, whenever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005.

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

– HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and

– HKFRS 3 – prospectively after 1st January 2005.

– HKFRS 5 – The adoption of HKFRS 5 has resulted in a change in the accounting policy for non-current assets held for sale. The non-current assets held for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets held for sale or for continuing use. The application of HKFRS 5 does not have impact on the prior-year financial statements other than a change in the presentation of the results and cash flows of discontinued operations.

(i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 and 2005 by approximately HK$29,245,000 and HK$28,642,000 respectively.

(ii) The effect of changes in accounting policies on the consolidated balance sheet are as follows:

	Effect of adoption						
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	HKFRS 2	HKFRS 3 & HKAS 38	HKFRS 5	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2005							
Decrease in property, plant and equipment	**(66,377)**	**–**	**(19,260)**	**–**	**–**	**(51,481)**	**(137,118)**
Increase/(decrease) in leasehold land and land use rights	**66,377**	**–**	**–**	**–**	**–**	**(16,876)**	**49,501**
Increase in investment properties	**–**	**–**	**19,260**	**–**	**–**	**–**	**19,260**
Increase in available-for-sale financial assets	**–**	**19,841**	**–**	**–**	**–**	**–**	**19,841**
Increase in loans receivable	**–**	**11,873**	**–**	**–**	**–**	**–**	**11,873**
Increase in financial assets at fair value through income statement	**–**	**30,437**	**–**	**–**	**–**	**–**	**30,437**
Decrease in investment securities	**–**	**(66,560)**	**–**	**–**	**–**	**–**	**(66,560)**
Decrease in other investments	**–**	**(1,483)**	**–**	**–**	**–**	**–**	**(1,483)**
Increase in intangible assets	**–**	**–**	**–**	**–**	**8,224**	**–**	**8,224**
Increase in deferred tax assets	**–**	**–**	**–**	**89**	**–**	**–**	**89**
Increase/(decrease) in investments in jointly controlled entities	**–**	**–**	**–**	**–**	**5,917**	**(344,010)**	**(338,093)**
Increase in non-current asset held for sale	**–**	**–**	**–**	**–**	**–**	**412,367**	**412,367**
(Decrease)/increase in net assets	**–**	**(5,892)**	**–**	**89**	**14,141**	**–**	**8,338**
Increase in employee share-based compensation reserve	**–**	**–**	**–**	**2,507**	**–**	**–**	**2,507**
Increase in investment revaluation reserve	**–**	**17,500**	**–**	**–**	**–**	**–**	**17,500**
(Decrease)/increase in retained earnings	**–**	**(23,392)**	**–**	**(2,418)**	**14,141**	**–**	**(11,669)**
(Decrease)/increase in equity	**–**	**(5,892)**	**–**	**89**	**14,141**	**–**	**8,338**

	Effect of adoption						
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	HKFRS 2	HKFRS 3 & HKAS 38	HKFRS 5	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st December 2004							
Decrease in property, plant and equipment	(89,177)	–	–	–	–	–	(89,177)
Increase in leasehold land and land use rights	89,177	–	–	–	–	–	89,177
Increase in net assets	–	–	–	–	–	–	–

(iii) The effect of changes in accounting policies on the consolidated income statement are as follows:

	Effect of adoption						
	HKAS 17	**HKAS 32 & HKAS 39**	**HKAS 40**	**HKFRS2**	**HKFRS 3 & HKAS 38**	**HKFRS5**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31st December 2005							
Decrease/(increase) in administrative expenses	**656**	**–**	**–**	**(2,507)**	**–**	**–**	**(1,851)**
Increase in other gain – net	**–**	**15,247**	**1,261**	**–**	**1,470**	**–**	**17,978**
Decrease in taxation	**–**	**–**	**–**	**89**	**–**	**–**	**89**
Decrease in share of profits less losses of jointly control entities	**–**	**–**	**–**	**–**	**–**	**(40,961)**	**(40,961)**
Increase in profit for the year from discontinued operations	**–**	**–**	**–**	**–**	**–**	**40,961**	**40,961**
Increase/(decrease) in profit attributable to shareholders	**656**	**15,247**	**1,261**	**(2,418)**	**1,470**	**–**	**16,216**

	Effect of adoption						
	HKAS 17	HKAS 32 & HKAS 39	HKAS 40	HKFRS 2	HKFRS 3 & HKAS 38	HKFRS 5	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st December 2004							
Decrease in administrative expenses	656	–	–	–	–	–	656
Decrease in share of profits less losses of jointly control entities	–	–	–	–	–	(28,728)	(28,728)
Increase in profit for the year from discontinued operations	–	–	–	–	–	28,728	28,728
Increase in profit attributable to shareholders	656	–	–	–	–	–	656

At the date of authorisation of these financial statements, the Group has not early adopted the following new standards or interpretations or amendments which have been issued but are not yet effective. The adoption of these new HKFR is not expected to result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of financial statements – capital disclosures
HKAS 19 (Amendment)	Employee Benefits
HKAS 21 (Amendment)	Net 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) and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – Int 4	Determining whether an Arrangement contains a Lease
HKFRS – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environments Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC) – Int 7	Financial Reporting in Hyperinflationary economies

The Group has carried out an assessment of the impact of the new HKFRS which have been issued but not yet effective and have not been early adopted by the Group.

2. SEGMENT INFORMATION

The Group is principally engaged in 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.

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

	Securities trading and investment 2005 *HK$'000*	Corporate finance and stockbroking 2005 *HK$'000*	Container transportation and freight forwarding services 2005 *HK$'000*	Hotel operation 2005 *HK$'000*	Sales of motor vehicles meters and components 2005 *HK$'000*	Investment holding, property holding and management 2005 *HK$'000*	Sales of child products 2005 *HK$'000*	Group 2005 *HK$'000*
Turnover	145,616	73,685	953,500	11,793	29,380	40,754	–	1,254,728
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 discontinued operations	–	–	–	–	–	–	40,961	40,961
Profit for the year								70,150

	Securities trading and investment 2005 *HK$'000*	Corporate finance and stockbroking 2005 *HK$'000*	Container transportation and freight forwarding services 2005 *HK$'000*	Hotel operation 2005 *HK$'000*	Sales of motor vehicles meters and components 2005 *HK$'000*	Investment holding, property holding and management 2005 *HK$'000*	Sales of child products 2005 *HK$'000*	Group 2005 *HK$'000*
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	–	–	–	–	–	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	106,118	–	508,787
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
Amortisation of trading rights and patents	–	164	–	–	–	932	–	1,096

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

	Securities trading and investment Restated 2004 *HK$'000*	Corporate finance and stockbroking Restated 2004 *HK$'000*	Container transportation and freight forwarding services Restated 2004 *HK$'000*	Sales of motor vehicles meters and components Restated 2004 *HK$'000*	Investment holding, property holding and management Restated 2004 *HK$'000*	Sales of child products Restated 2004 *HK$'000*	Group Restated 2004 *HK$'000*
Turnover	99,718	104,443	48,606	310,172	24,906	–	587,845
Segment results	1,213	53,714	(3,487)	(55)	(33,959)	–	17,426
Finance costs							(4,709)
Share of profits less losses of							
– Associated companies	–	–	–	(11,804)	56,692	10,739	55,627
– Jointly controlled entities	–	–	–	–	1,806	(7,091)	(5,285)
Profit before taxation							63,059
Taxation							(10,722)
Profit for the year from continuing operations							52,337
Profit for the year from discontinued operations	–	–	–	–	–	28,728	28,728
Profit for the year							81,065
Balance sheet							
Segment assets	36,894	320,687	103,724	3,154	425,600	–	890,059
Investments in associated companies	–	–	–	9,813	245,495	115,490	370,798
Investments in jointly controlled entities	–	–	–	–	37,125	311,265	348,390
Total assets							1,609,247
Segment liabilities	880	139,046	22,599	1,203	53,167	–	216,895
Taxation payable							3,202
Deferred tax liabilities							659
Total liabilities							220,756
Other information							
Capital expenditure	420	2,222	9,795	2,921	72,490	–	87,848
Depreciation	91	1,258	4,951	3,624	3,249		13,173
Amortisation on leasehold land and land use rights	–	–	595	2	171	–	768
Amortisation of trading rights and patents	–	165	–	136	–	382	683

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

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

	Turnover 2005 *HK$'000*	**Segment results 2005** *HK$'000*	**Total assets 2005** *HK$'000*	**Capital expenditure 2005** *HK$'000*
Hong Kong	**229,721**	**28,439**	**610,226**	**1,544**
Chinese Mainland	**1,024,569**	**(45,631)**	**502,574**	**189,526**
Others	**438**	**4,569**	**45,968**	**18**
	1,254,728	**(12,623)**	**1,158,768**	**191,088**
Investments in associated companies			**276,260**	
Investments in jointly controlled entities			**72,209**	
Non-current assets classified as held for sale			**412,367**	
Tax recoverable			**4,003**	
Deferred tax assets			**603**	
Total assets			**1,924,210**	

	Turnover 2004 *HK$'000*	Segment results 2004 Restated *HK$'000*	Total assets 2004 Restated *HK$'000*	Capital expenditure 2004 *HK$'000*
Hong Kong	217,679	49,681	536,453	51,474
Chinese Mainland	369,790	(30,480)	318,035	35,963
Others	376	(1,775)	35,571	411
	587,845	17,426	890,059	87,848
Investments in associated companies			370,798	
Investments in jointly controlled entities			348,390	
Total assets			1,609,247	

There are no sales among the geographical segments.

3. OPERATING (LOSS)/PROFIT

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

	2005 *HK$'000*	Restated 2004 *HK$'000*
Crediting		
Gain on disposal of partial interest in subsidiaries	**161**	4,241
Net gain on disposal of partial interest in an associated company	**2,966**	–
Recovery of bad debts previously written off	**161**	259
Gain on disposal of property, plant and equipment	**183**	–
Net foreign exchange gain	**614**	–
Negative goodwill charged to income statement	**1,470**	–
Amortisation of negative goodwill	**–**	5,521
Charging		
Depreciation	**18,128**	13,173
Amortisation of leasehold land and land use rights	**1,507**	–
Amortisation of goodwill	**–**	21,024
Amortisation of trading rights and patents	**1,096**	683
Impairment losses on goodwill	**13,667**	768
Direct expense in respect of container transportation and freight forwarding services	**929,338**	45,249
Cost of inventories	**32,013**	173,935
Staff costs	**117,622**	128,263
Operating leases rental in respect of land and buildings	**4,059**	4,660
Auditors' remuneration	**1,830**	1,530
Provision for doubtful debts	**3,748**	4,746
Loss on disposal of property, plant and equipment	**24**	956
Net foreign exchange loss	**–**	34

4. TAXATION

Hong Kong profits tax has been provided for at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2005 *HK$'000*	Restated 2004 *HK$'000*
Hong Kong profits tax		
Current	**3,493**	6,433
Under-provision in previous years	**169**	35
Overseas taxation		
Current	**720**	4,610
Over-provision in previous years	**–**	(134)
Deferred taxation	**(745)**	(222)
Taxation charge	**3,637**	10,722

Share of associated companies and jointly controlled entities taxation for year ended 31st December 2005 of approximately HK$763,000 (2004: HK$1,470,000) and approximately HK$3,077,000 (2004: HK$631,000), respectively, are included in the income statement as the share of profits less losses of associated companies and jointly controlled entities.

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$76,320,000 (restated 2004: HK$80,955,000). The basic earnings per share is based on the weighted average number of 1,175,441,673 (2004: 1,173,691,705) shares in issue during the year. The diluted earnings per share is based on 1,192,483,905 (2004: 1,194,874,270) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 17,042,232 (2004: 21,182,565) shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. DIVIDEND

	2005	2004
	HK$'000	*HK$'000*
Final dividend, proposed, of HK$0.015 (2004: HK$0.01) per ordinary share	**17,730**	11,737

At a meeting held on 21st April 2006, the Directors declared a final dividend of HK$0.015 per ordinary share. The proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2006.

7. TRADE RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**25,486**	45,084
Trade receivables, net	**291,361**	71,857
Bills receivable	**863**	3,945
	317,710	120,886

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

The ageing analysis of the trade and bills receivables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**164,240**	103,005
31 – 60 days	**105,428**	7,645
61 – 90 days	**33,929**	4,165
Over 90 days	**14,113**	6,071
	317,710	120,886

For securities business, trade receivables are on credit terms of trading day plus two trading days. For the remaining business of the Group, trade receivables are on credit terms of 30 to 90 days.

8. TRADE AND OTHER PAYABLES

	2005 *HK$'000*	2004 *HK$'000*
Due to stockbrokers and dealers	**–**	311
Due to stockbroking clients	**53,575**	58,609
Trade payables	**198,470**	5,339
Accruals and other payables	**79,122**	65,773
	331,167	130,032

The ageing analysis of the trade payables is as follows:

	2005 *HK$'000*	2004 *HK$'000*
0 – 30 days	**162,562**	63,754
31 – 60 days	**64,616**	409
61 – 90 days	**8,482**	51
Over 90 days	**16,385**	45
	252,045	64,259

9. COMMITMENTS

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

	2005 *HK$'000*	2004 *HK$'000*
Contracted but not provided for	**11,655**	43,844
Authorised but not yet contracted for	**172,638**	–

The Group's share of capital commitments of a jointly controlled entities not included in the above is as follows:

	2005 *HK$'000*	2004 *HK$'000*
Contracted but not provided for	**13,163**	3,526

The Company did not have any material capital commitments.

(b) Commitments under operating leases

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:

	2005 *HK$'000*	2004 *HK$'000*
Not later than one year	**8,746**	3,440
Later than one year but not later than five years	**9,906**	4,958
More than five years	**–**	189
	18,652	8,587

10. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 7th November 2005, the Company entered into two conditional agreements for the sale of its entire interest in Geoby International Holdings Limited ("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.

(b) On 13th March 2006, the Company entered into an agreement for the disposal of the land and buildings owned by Fu Hai Digital Technology (Shanghai) Company Limited, being a wholly owned subsidiary of the Company, to Superb Union Investments Limited, being a third party independent of the Company, at an aggregate consideration of RMB175,095,000 (representing approximately HK$168,361,000).

BUSINESS REVIEW

For the year ended 31st December 2005, the Group's turnover grew to HK$1,255 million when compared to HK$588 million for last year, representing an increase of 113%. After the disposal of 51.8% equity interests in Yangfeng Visteon Betung Automotive Instrument Company Limited and Zhejiang Shaohong Instrument Company Limited (collectively "Betung") in December 2004, Betung are treated as associated companies of the Group and their results are not consolidated in the Group. The drop in turnover caused by the deconsolidation of Betung was offset by the substantial increase in the air freight forwarding business of Shanghai Zhong Chuang International Container Storage & Transportation Co. Ltd. ("ZCIC"). The new management team joined ZCIC in early 2005 succeeded in expanding the air freight forwarding business and pushed the turnover of ZCIC to its historical high of approximately HK$954 million. Despite the thin profit margin in the industry, the container transportation and freight forwarding became business profitable in 2005.

In 2005, there was a huge competition in attractive high-net-worth investors among brokerage firms and commercial banks in Hong Kong and this seems to extend to 2006. Reduction in the trading commission rate and margin loan interest rate to maintain the market shares seems to be a trend in the industry. The Group has adjusted its policy in these matters in 2005 and offered a more attractive commission rate to retain few major valuable customers. Total commission income has reduced due to the keen competition and the lacklustre trading behaviour in the stock market in the first half of the year. Most clients of our corporate finance division postponed their listing schedules after the change of certain relevant regulations by the PRC Government in early 2005. Both the turnover and operating profit from the corporate finance and stockbroking business decreased during the year.

Goodbaby Child Products Co. Ltd. ("Goodbaby") recorded a reasonable growth in both turnover and profit attributable to shareholders. In November 2005, the Company entered into a Sale and Purchase Agreement to sell all equity interests in Goodbaby held by the Group. The payment of 95% of the purchase consideration was received in January 2006.

The operation of Kunshan Traders Hotel commenced in October 2005. Due to the write-off of a significant amount of pre-operating expenses and the high running cost in the initial stage, this investment recorded a substantial loss during the year.

Phase one of the development of commercial properties in Shanghai High-tech Park by Shanghai Zhangjiang Information Properties Company Limited ("Zhangjiang"), a 50% owned jointly controlled entity was completed in 2004 and most of the properties were sold out in the year and brought a satisfactory return to the Group.

Following the listing of the shares of KongZhong Corporation, one of investment of China Assets (Holdings) Ltd. ("China Assets"), on the Nasdaq National Market in the US at the end of 2004, China Assets recorded an encouraging gain on revaluating this investment at its fair value on 31st December 2005. The investment in a real estate fund also contributed a satisfactory return to China Assets as the value of the properties held by the fund increased in line with the pace of the growth in the economy of the Chinese Mainland.

On 16th June 2005, the Group entered into an agreement for the sale of 37 million shares in RBI Holdings Limited ("RBI") to RBI at a consideration of HK$57,720,000. The transaction was completed in September 2005. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08%. This investment was then reclassified as an available-for-sale financial asset in the financial statements.

PROSPECTS

With the Hong Kong's strong performance in the stock market since late December 2005 and the expectation of Renminbi revaluation, there has been a noticeable inflow of hot money into Hong Kong in early January 2006. We believe that the growth momentum will continue and the performance of our brokerage team will improve in line with the increasingly optimistic market sentiment.

Following the rapid development of its air freight forwarding business, ZCIC is focusing on controlling its operating cost to improve the profitability. ZCIC is also considering the co-operation with other industry participants to expand its business in other cities.

The grand opening of the Kunshan Traders Hotel in March 2006 began a new page of our investment in the hotel industry. After the disposal of Goodbaby in 2006, this investment becomes an other investment which can contribute a stable return to the Group in the forthcoming years.

The second phase of the development of commercial properties in Shanghai High-tech Park by Zhangjiang is now under construction. Part of the development has been pre-sold to customers at reasonable prices. The management of Zhangjiang is now determining future plans for investment in the properties industry after the completion of the recent projects.

The disposals of our investment in Goodbaby and a property in Shanghai will bring substantial gains to the Group in 2006. The cash consideration received will enhance the financial resources of the Group and improve the Group's capacity to acquire potential investments in line with the investment strategy of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31st December 2005, the Group recorded a turnover of HK$1,255 million and profit attributable to shareholders of HK$76 million as compared to HK$588 million and HK$81 million respectively in 2004.

DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATED COMPANY

On 16th June 2005, the Group entered into an agreement for the sale of 37 million shares in RBI Holdings Limited ("RBI") to RBI at a consideration of HK$57,720,000. The transaction was completed in September 2005 and the Group recorded a gain on disposal of approximately HK$2.97 million. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08% and the investment in RBI was then reclassified as an available-for-sale financial asset in the financial statements.

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 2005, the Group had raised bank loans of approximately HK$146 million and held approximately HK$150 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 13%. Investment in financial assets at fair value through income statement as at 31st December 2005 amounted to approximately HK$80 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 lands of the Group with an aggregate net book value of approximately HK$96 million as at 31st December 2005 (2004: HK$109 million) as well as fixed deposits of HK$15 million (2004: HK$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK$45 million (2004: HK$84 million) granted to the Group.

EMPLOYEES

As at 31st December 2005, the Group employed 1,528 staff, of which 1,438 are located in the Chinese Mainland. Employee remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee shares option scheme. Training courses are provided to staff where necessary.

CONTINGENT LIABILITIES

As at 31st December 2005, the Group had no material contingent liabilities.

DIVIDEND

The Board of Directors have recommended the payment of a final dividend of HK$0.015 (2004: HK$0.01) per ordinary share, totalling HK$17,730,447 (2004: HK$11,736,917).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23rd May 2006 to Friday, 26th May 2006, 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 Queens Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 22nd May 2006. Subject to shareholders' approval of payment of the final dividend, dividend warrants will be dispatched on 28th June 2006.

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 2005.

REVIEW OF FINANCIAL STATEMENTS

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 consolidated financial statements for the year ended 31st December 2005. The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 and an executive director, has been established in 2005. The committee was set up to review and approve the remuneration packages of the directors 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 one-third, shall be subject to retirement by rotation. The Articles of Association constitutes a deviation from the CG Code.

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 29th April 2006 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 Director:–
Mr. Kwok Lam Kwong, Larry, J.P.

By order of the Board
LAO Yuan Yi
Chairman

Hong Kong, 21st April 2006

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