第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 227)

ANNOUNCEMENT OF 2005 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 2005 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30th June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
			(As restated)
Sales	*3*	**362,417**	299,689
Cost of sales		**(311,238)**	(190,779)
Gross profit		**51,179**	108,910
Other revenue		**2,007**	2,071
Administrative expenses		**(59,071)**	(78,274)
Other operating expenses		**(17,596)**	(18,016)
Other operating income		**24,634**	5,085
Operating profit	*3 and 4*	**1,153**	19,776
Finance costs		**(2,111)**	(3,242)
Share of profits less losses of			
Associated companies		**(6,980)**	1,426
Jointly controlled entities		**25,697**	14,658
Profit before taxation		**17,759**	32,618
Taxation	*6*	**(2,103)**	(7,030)
Profit for the period		**15,656**	25,588
Profit attributable to:			
Shareholders of the Company		**14,936**	24,171
Minority interest		**720**	1,417
		15,656	25,588
Earnings per share for profit attributable to shareholders of the Company during the period			
– basic	*7*	**HK1.27 cents**	HK2.06 cents
– diluted	*7*	**HK1.25 cents**	HK2.02 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 30th June 2005 *HK$'000*	Restated As at 31st December 2004 *HK$'000*
Non-current assets			
Intangible assets	*8*	**4,434**	11,887
Property, plant and equipment	*8*	**202,836**	141,260
Investment properties	*8*	**13,100**	10,950
Leasehold land and land use rights		**88,793**	89,177
Investments in associated companies		**351,971**	370,798
Investments in jointly controlled entities		**380,004**	348,390
Investment securities		**–**	89,471
Available-for-sale financial assets		**36,032**	–
Loans receivable	*9*	**22,888**	10,028
		1,100,058	1,071,961
Current assets			
Inventories		**8,204**	5,888
Other investments		**–**	2,425
Loans and advances		**120,510**	112,779
Accounts receivables	*10*	**215,953**	120,886
Other receivables, prepayments and deposits		**83,253**	93,337
Financial assets at fair value through profit or loss		**93,271**	–
Pledged bank deposits		**15,000**	15,000
Bank balances and cash		**132,299**	186,972
		668,490	537,287
Current liabilities			
Trade and other payables	*11*	**230,472**	130,032
Taxation payable		**5,384**	3,202
Short-term bank loans			
Secured		**66,981**	66,981
Unsecured		**943**	–
Bank overdrafts, secured		**24,042**	19,882
		327,822	220,097
Net current assets		**340,668**	317,190
Total assets less current liabilities		**1,440,726**	1,389,151
Non-current liabilities			
Deferred tax liabilities		**963**	1,057
Long-term bank loans, secured		**59,434**	–
Net assets		**1,380,329**	1,388,094
Equity attributable to the Company's shareholders			
Share capital	*12*	**234,738**	234,738
Reserves		**1,058,359**	1,066,550
Minority interest		**87,232**	86,806
Total equity		**1,380,329**	1,388,094

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information 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 condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRS"), 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.

2. Changes in accounting policies

Effect of adopting New HKFRS

In 2005, the Group adopted the New HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

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 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 40	Investment Property
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKFRS 2 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, 33 and HKFRS 2 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 condensed consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the condensed consolidated profit and loss account. 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 profit and loss 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" and "loans and receivables", and "other investments" as "financial assets at fair value through profit or loss" 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 condensed consolidated profit and loss account 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 condensed consolidated profit and loss account.

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;

– 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. 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 the adoption date.

(i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 and 2005 by approximately HK$29,696,000 and HK$29,039,000 respectively.

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

	Effect of adopting				
At 30th June 2005	**HKAS 17** *HK$'000*	**HKAS 32 and HKAS 39** *HK$'000*	**HKAS 40** *HK$'000*	**HKFRS 3, HKAS 36 and HKAS 38** *HK$'000*	**Total** *HK$'000*
Decrease in property, plant and equipment	(88,793)	–	(13,100)	–	(101,893)
Increase in leasehold land and land use rights	88,793	–	–	–	88,793
Increase in investment properties	–	–	13,100	–	13,100
Increase in available-for-sale financial assets	–	27,214	–	–	27,214
Increase in loans receivable	–	11,915	–	–	11,915
Increase in financial assets at fair value through profit or loss	–	47,496	–	–	47,496
Decrease in investment securities	–	(82,767)	–	–	(82,767)
Decrease in other investments	–	(2,192)	–	–	(2,192)
Decrease in intangible assets	–	–	–	(6,913)	(6,913)
Increase in investments in jointly controlled entities	–	–	–	5,917	5,917
Increase/(decrease) in net assets	–	1,666	–	(996)	670
Increase in investment revaluation reserve	–	22,623	–	–	22,623
Decrease in retained earnings	–	(20,957)	–	(996)	(21,953)
Increase/(decrease) in equity	–	1,666	–	(996)	670

At 31st December 2004	HKAS 17	HKAS 32 and HKAS 39	HKAS 40	HKFRS 3, HKAS 36 and HKAS 38	Total
	Effect of adopting				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 profit and loss are as follows:

Six months ended 30th June 2004	HKAS 17	HKAS 32 and HKAS 39	HKAS 40	HKFRS 3, HKAS 36 and HKAS 38	Total
	Effect of adopting				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in administrative expenses	328	–	–	–	328
Increase in profit attributable to shareholders	328	–	–	–	328

Six months ended 30th June 2005	HKAS 17	HKAS 32 and HKAS 39	HKAS 40	HKFRS 3, HKAS 36 and HKAS 38	Total
	Effect of adopting				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in administrative expenses	328	–	–	–	328
Increase in other operating income	–	14,425	2,150	–	16,575
Increase in other operating expenses	–	–	–	(13,667)	(13,667)
Increase/(decrease) in profit attributable to shareholders	328	14,425	2,150	(13,667)	3,236

3. **Segment information**

The Group is principally engaged in securities trading and investment, corporate finance and stockbroking, container transportation and freight forwarding services, sales of motor vehicles meters and components, investment holding, property holding and management.

An analysis of the Group's turnover and contribution to operating profit for the period by business and geographical segments is as follows:

Primary reporting format – business segments

	Unaudited Six months ended 30th June 2005						
	Securities trading and investment	**Corporate finance and stockbroking**	**Container transportation and freight forwarding services**	**Sales of motor vehicles meters and components**	**Investment holding, property holding and management**	**Sales of child products**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales	38,111	36,691	259,545	16,758	11,312	–	362,417
Segment results	15,719	11,104	(1,168)	(1,399)	(25,110)	–	(854)
Other revenue							2,007
Finance costs							(2,111)
Share of profits less losses of							
– Associated companies	–	–	–	(2,393)	(6,585)	1,998	(6,980)
– Jointly controlled entities	–	–	–	–	157	25,540	25,697
Profit before taxation							17,759
Taxation							(2,103)
Profit for the period							15,656

	Unaudited Six months ended 30th June 2004						
	Securities trading and investment	**Corporate finance and stockbroking**	**Container transportation and freight forwarding services**	**Sales of motor vehicles meters and components**	**Investment holding, property holding and management**	**Sales of child products**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales	40,750	55,293	22,466	171,009	10,171	–	299,689
Segment results	(4,045)	28,943	652	6,691	(14,536)	–	17,705
Other revenue							2,071
Finance costs							(3,242)
Share of profits less losses of							
– Associated companies	–	–	–	–	(1,318)	2,744	1,426
– Jointly controlled entities	–	–	–	–	(2,714)	17,372	14,658
Profit before taxation							32,618
Taxation							(7,030)
Profit for the period							25,588

The segment assets and liabilities at 30th June 2005 and other information for the six months then ended are as follows:

	Securities trading and investment *HK$'000*	Corporate finance and stockbroking *HK$'000*	Container transportation and freight forwarding services *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*
Balance sheet							
Segment assets	97,475	190,565	270,085	19,636	458,812	–	1,036,573
Investments in associated companies	–	–	–	7,421	239,951	104,599	351,971
Investments in jointly controlled entities	–	–	–	–	37,282	342,722	380,004
Total assets							1,768,548
Segment liabilities	2,842	52,462	149,338	12,575	164,655	–	381,872
Taxation payable							5,384
Deferred tax liabilities							963
Total liabilities							388,219
Other information							
Capital expenditure	173	121	11,578	117	55,749	–	67,738
Depreciation	155	772	3,023	245	1,944	–	6,139
Amortisation charge	–	82	–	–	458	–	540

The segment assets and liabilities at 31st December 2004 and other information for the six months then ended are as follows:

	Securities trading and investment *HK$'000*	Corporate finance and stockbroking *HK$'000*	Container transportation and freight forwarding services *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*
Balance sheet							
Segment assets	36,894	320,687	103,724	3,154	425,601	–	890,060
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							1,609,248
Segment liabilities	880	139,046	22,599	1,203	53,167	–	216,895
Taxation payable							3,202
Deferred tax liabilities							1,057
Total liabilities							221,154
Other information							
Capital expenditure	391	2,158	2,377	1,781	28,377	–	35,084
Depreciation	38	604	2,534	2,124	1,706	–	7,006
Amortisation charge	–	82	–	(1,183)	10,079	(1,243)	7,735

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, sales of motor vehicles meters and components

	Unaudited		**Unaudited**	
	Sales		**Segment results**	
	Six months ended 30th June		**Six months ended 30th June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(As restated)
Hong Kong	**79,329**	100,804	**9,603**	26,669
Chinese Mainland	**282,990**	198,805	**(17,641)**	(6,813)
Others	**98**	80	**7,184**	(2,151)
	362,417	299,689	**(854)**	17,705
Other revenue			**2,007**	2,071
Operating profit			**1,153**	19,776

There are no sales among the geographical segments.

	Unaudited	Restated
	As at 30th June	As at 31st December
	2005	2004
	HK$'000	*HK$'000*
Total assets		
Hong Kong	**398,010**	536,454
Chinese Mainland	**597,274**	318,035
Others	**41,289**	35,571
	1,036,573	890,060
Investments in associated companies	**351,971**	370,798
Investments in jointly controlled entities	**380,004**	348,390
	1,768,548	1,609,248

Total assets are allocated based on where the assets are located.

4. Operating profit

	Unaudited Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Operating profit is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of available-for-sale financial assets *(Note a)*	**1,415**	–
Dividend income	**660**	–
Gain on disposal of property, plant and equipment	**51**	–
Fair value gain on financial assets at fair value through profit or loss	**17,665**	–
Fair value gain on revaluation of investment properties	**2,150**	–
Gain on disposal of partial interest in subsidiaries	**–**	164
Amortisation of negative goodwill	**–**	2,799
Charging:		
Depreciation	**6,139**	7,006
Amortisation of intangible assets	**540**	218
Amortisation of goodwill	**–**	10,316
Staff costs *(Note 5)*	**51,973**	49,600
Impairment losses on goodwill	**13,667**	–
Fair value losses on financial assets at fair value through profit or loss	**3,614**	–

Note:

(a) The Group disposed of an equity interest of 1.465% in one of its available-for-sale financial assets for a consideration of HK$1,415,000, and recorded a gain of HK$1,415,000 for the six months ended 30th June 2005.

5. Staff costs

Staff costs, including directors' remuneration, comprise:

	Unaudited Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Wages, salaries and allowance	**46,456**	43,691
Medical and other benefits	**1,915**	3,104
Pension costs – defined contribution plans	**3,602**	2,615
Termination benefits	**–**	190
	51,973	49,600

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 profit and loss account represents:

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Current taxation		
– Hong Kong profits tax	**2,055**	4,225
– Overseas taxation	**142**	2,977
Deferred taxation	**(94)**	(172)
	2,103	7,030

Share of associated companies and jointly controlled entities taxation for the six months ended 30th June 2005 of approximately HK$706,000 (30th June 2004: HK$389,000) and approximately HK$6,226,000 (30th June 2004: HK$4,255,000), respectively are included in the profit and loss account as the share of profits less losses of associated companies and jointly controlled entities.

7. 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$14,936,000 (2004: as restated HK$24,171,000). The basic earnings per share is based on the weighted average number of 1,173,691,705 (2004: 1,173,691,705) ordinary shares in issue during the period. The diluted earnings per share is based on 1,191,673,231 (2004: 1,196,155,054) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 17,981,526 (2004: 22,463,349) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. Capital expenditure

	Unaudited Intangible assets					
	Goodwill	**Negative goodwill**	**Futures exchange trading rights and patent**	**Total**	**Property, plant and equipment**	**Investment properties**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book amount as at 31st December 2004, as previously reported	16,660	(6,754)	1,981	11,887	259,476	10,950
Prior period adjustment for the adoption of HKAS 17	–	–	–	–	(118,216)	–
Net book amount as at 31st December 2004, as restated	16,660	(6,754)	1,981	11,887	141,260	10,950
Opening adjustment for the adoption of HKFRS 3	–	6,754	–	6,754	–	–
Net book amount as at 1st January 2005, as restated	16,660	–	1,981	18,641	141,260	10,950
Additions	–	–	–	–	67,738	–
Disposals	–	–	–	–	(9)	–
Amortisation/depreciation charges *(Note 4)*	–	–	(540)	(540)	(6,139)	–
Impairment losses *(Note 4)*	(13,667)	–	–	(13,667)	–	–
Exchange adjustment	–	–	–	–	(14)	–
Valuation increase during the period *(Note 4)*	–	–	–	–	–	2,150
Net book amount as at 30th June 2005	**2,993**	**–**	**1,441**	**4,434**	**202,836**	**13,100**

9. Loans receivable

Included in loans receivable are loans to a third party of approximately HK$10,972,000 (2004: HK$10,028,000). These loans are secured, bear interest ranging from 5% to 5.6% per annum and are payable after one year from 30th June 2005. The Group has a plan to convert the loans receivable into equity of the borrower.

10. Accounts receivables

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**9,475**	45,084
Trade receivables	**204,165**	71,857
Bills receivables	**2,313**	3,945
	215,953	120,886

At 30th June 2005 and 31st December 2004, the ageing analysis of trade receivables and bills receivables is as follows:

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
0 – 30 days	**126,903**	57,921
31 – 60 days	**51,199**	7,645
61 – 90 days	**21,448**	4,165
Over 90 days	**6,928**	6,071
	206,478	75,802

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

11. Trade and other payables

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
Due to stockbrokers and dealers	**35**	311
Due to stockbroking clients	**26,105**	58,609
Trade payables	**135,785**	5,339
Accrual	**68,547**	65,773
	230,472	130,032

At 30th June 2005 and 31st December 2004, the ageing analysis of the trade payables is as follows:

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
0 – 30 days	**75,497**	4,834
31 – 60 days	**45,904**	409
61 – 90 days	**13,178**	51
Over 90 days	**1,206**	45
	135,785	5,339

12. Share capital

	Unaudited As at 30th June 2005		Audited As at 31st December 2004	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary share of HK$0.2 each	**2,000,000,000**	**400,000**	2,000,000,000	400,000
Issued and fully paid:				
Ordinary share of HK$0.2 each	**1,173,691,705**	**234,738**	1,173,691,705	234,738

13. Commitments

(a) *Capital commitments for property, plant and equipment:*

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
Contracted but not provided for	**68,274**	43,844
The Group's share of capital commitments of jointly controlled entities and an associated company not included in the above is as follows:		
Contracted but not provided for	**34,625**	3,526

(b) *Commitments under operating leases*

As at 30th June 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited As at 30th June 2005 *HK$'000*	Audited As at 31st December 2004 *HK$'000*
Not later than one year	**8,838**	3,440
Later than one year but not later than five years	**11,872**	4,958
More than five years	**–**	189
	20,710	8,587

14. 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 term determined and agreed by both parties.

(a) Mr. Lao Yuan Yi, Mr. Yeung Wai Kin and Mr. Wang Jun Yan are Directors of China Assets Investment Management Limited ("CAIML"), a subsidiary of the Company and China Assets (Holdings) Limited ("CAHL"), an associated company of the Company.

During the period, CAIML received a management fee of US$589,277 (2004: US$512,730) from CAHL, under the management agreement signed between CAIML and CAHL.

(b) Key management compensation

	Unaudited Six months ended 30th June	
	2005	2004
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**3,373**	3,060
Retirement benefits cost	**260**	222
	3,633	3,282

15. Contingent liabilities

As at 30th June 2005, the Group had no material contingent liabilities.

16. Event after balance sheet date

On 16th June 2005, the Group has entered into a conditional 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 has been completed in September 2005. Upon disposal, the Group's shareholding in RBI decreased from 19.95% to 11.08%.

OPERATION REVIEW

For the six months ended 30th June 2005, the Group recorded a turnover and a net profit of HK$362 million and HK$15 million respectively. After the disposal of 51.8% equity interests in Zhejiang Shaoxing Betung 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 to 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 the historical high.

After the change of some relevant regulations by the PRC Government in early 2005, the clients of Corporate Finance Division postponed their listing schedules and our financial advisory and underwriting income decline according. The lacklustre trading behaviour in the Hong Kong stock market adversely affected the performance of our brokerage team. Both the turnover and operating profit from the brokerage business decreased in the period under review.

In 2002, the Group invested HK$20 million into a mutual fund established by our Assets Management Division as a seed money. The performance of the fund is encouraging and some professional investors have invested in the fund since 2003. The Group's investment in the fund is reclassified as financial assets at fair value through profit or loss starting from 2005 and an unrealised holding gain in the fund of HK$11 million was recognised in the first half of 2005.

The profit margins of RBI Holdings Limited ("RBI") and Goodbaby Child Products Company Limited ("Goodbaby") were eroded by the rising production costs in the Chinese Mainland. For the six months ended 30 June 2005, RBI recorded a drop in both turnover and net profit. Since the increase in turnover offset the adverse effect in the profit margin, Goodbaby managed to maintain a satisfactory growth in profit attributable to shareholders.

The market price of the listed investment of China Assets (Holdings) Limited ("China Assets"), Kongzhong Corporation dropped from US$9.61 as at 31st December 2004 to US$9.15 as at 30th June 2005. A net fair value loss of US$1.4 million was incurred and China Assets recorded a operating loss in the review period.

PROSPECTS

Activity in the stock market soared dramatically from July 2005. We expect that the investment environment will remain positive for the remaining 2005, given the tame inflation outlook for the US economy, the resilient Chinese economy and the continued recovering of the Hong Kong economy. The speculation on the Renminbi revaluation may persist, leading to fund flow into the local market. The listing of the major state owned banks in the remainder of the year will further push up the trading records and our Brokerage Division will benefit from the improvement in market sentiments. Two of our Corporate Finance Division's clients planned to list in the Hong Kong stock market before the year end. It will bring a reasonable contribution to the Group.

Following the rapid development in the air freight forwarding business, ZCIC will focus on controlling its operating cost to improve the profitability. As part of the cost saving plan, ZCIC had constructed its own warehouse in the Pudong Airport.

The Group had sold 37 million shares in RBI at a consideration of HK$57.7 million recently and the shareholding in RBI decreased from 19.95% to 11.08%. Although the increase in cost of raw materials will continue to affect the profit margin of RBI and Goodbaby, we believe that these two investments will provide reasonable returns to the Group.

Chinese Mainland's economy remains robust and the performance of the industrial business still grows steadily. We are confidence that our various investments in different business sectors in Chinese Mainland will bring good contributions to the Group. The commencement of operation of Kunshan Traders Hotel in October will further improve the Group's results and cashflows in future. We are looking forward to share our achievement with the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Profit after taxation for the six months ended 30th June 2005 was HK$15 million, a decrease of 38% over the same period in 2004. Basic earnings per share decreased to HK1.27 cents, down 38%.

Turnover of the Group for the period under review increased by 21% to HK$362 million as compared to HK$300 million for the same period last year.

Liquidity and financial resources

The Group relied principally on its internal resources to fund its operation and investment activities. Bank loans will be raised in occasion to meet the different demands in our various investment projects. As at 30th June 2005, the Group raised bank loans and incurred overdraft of approximately HK$92 million and is holding approximately HK$147 million cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 7%. Investment in financial assets at fair value through profit and loss as at 30th June 2004 amounted to approximately HK$93 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.

Employees

As at 30th June 2005, the Group employed 1029 (30th June 2004: 1978) staff, of which 936 are located in 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. The staff costs for the six months ended 30th June 2005 amounted to approximately HK$52 million.

Pledge of assets

Certain properties of the Group with an aggregate net book value of approximately HK$79 million as at 30th June 2005 (31st December 2004, as restated: HK$80 million) as well as fixed deposits of HK$15 million (31st December 2004: HK$15 million) were pledged as securities against bank loans and general banking facilities amounting to HK$159 million (31st December 2004: HK$84 million) granted to the Group.

Contingent liabilities

As at 30th June 2005, the Group had no material contingent liabilities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (2004: 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 market 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 accounts for the six months ended 30th June 2005 approved by the Directors.

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 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 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 September 2005 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 and Managing Director)
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 and Managing Director

Hong Kong, 20th September 2005

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