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FIRST SHANGHAI GROUP

First Shanghai Investments Limited

(Stock code : 227)



Interim Report **2006**



FIRST SHANGHAI INVESTMENTS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Lao Yuan Yi

Executive Directors

Mr. Xin Shulin, Steve

Mr. Yeung Wai Kin

Mr. Hu Yi Ming

Non-executive Director

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

Independent Non-executive Directors

Prof. Woo Chia Wei

Mr. Liu Ji

Mr. Yu Qi Hao

COMPANY SECRETARY

Mr. Yeung Wai Kin

REGISTERED OFFICE

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71 Des Voeux Road Central

Hong Kong

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AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

Richards Butler

T. H. Koo & Associates

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited

Standard Chartered Bank

REGISTRARS & TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 227

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

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
Non-current assets			
Intangible assets	10	3,493	3,893
Property, plant and equipment	10	275,820	262,203
Investment properties	10	31,368	19,260
Leasehold land and land use rights	10	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	11	23,657	23,027
		807,660	787,265
Current assets			
Inventories		20,584	18,531
Loans and advances		85,886	97,295
Trade receivables	12	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	15	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
Current liabilities			
Trade and other payables	13	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	15	-	11,989
		383,547	422,956
Net current assets			
		846,901	713,989
Total assets less current liabilities			
		1,654,561	1,501,254
Non-current liabilities			
Deferred tax liabilities		445	516
Long-term borrowings, secured		145,680	87,278
		146,125	87,794
Net assets			
		1,508,436	1,413,460
Equity			
Share capital	14	237,014	236,406
Reserves		1,200,007	1,104,767
Capital and reserves attributable to shareholders of the Company		1,437,021	1,341,173
Minority interests		71,415	72,287
Total equity			
		1,508,436	1,413,460

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2006 HK\$'000	2005 HK\$'000
Net cash used in operating activities	(92,712)	(38,529)
Cash flows from investing activities		
Interest received	7,743	-
Dividend received from a jointly controlled entity	2,914	-
Dividend received from listed investments	-	5,185
Purchase of investment properties	(12,108)	-
Purchase of property, plant and equipment	(30,547)	(67,738)
Proceeds on disposal of property, plant and equipment	-	60
Net cash inflow in respect of disposal of subsidiaries	16,020	-
Proceeds on disposal of jointly controlled entities	454,638	-
Proceeds on disposal of investment securities	-	6,650
Purchase of available-for-sale financial assets	-	(7,847)
Purchase of assets classified as held for sale	(10,716)	-
Increase in bank deposits with original maturities over three months	(33,014)	-
Net cash from/(used in) investing activities	394,930	(63,690)
Cash flows from financing activities		
Interest paid	(9,472)	(2,111)
Dividend paid	(17,758)	(11,737)
Issue of ordinary shares and exercise of share options	966	-
New borrowings	176,758	59,434
Repayment of borrowings	(168,394)	-
Net cash (used in)/from financing activities	(17,900)	45,586
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	284,318	(56,633)
Cash and cash equivalents and bank overdrafts at 1st January	149,990	182,090
Exchange losses on cash and cash equivalents and bank overdrafts	(1,265)	(2,200)
Cash and cash equivalents and bank overdrafts at 30th June	433,043	123,257
Analysis of balances of cash and cash equivalents and bank overdrafts		
Cash at bank and in hand	209,623	132,299
Bank deposits with original maturities within three months	207,750	-
Pledged bank deposits	15,799	15,000
Cash and cash equivalents	433,172	147,299
Bank overdrafts	(129)	(24,042)
	433,043	123,257

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

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

	Unaudited Attributable to shareholders of the Company							Minority interests	Total	
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve			Retained earnings
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
Balance at										
1st January 2005	234,738	594,896	76,094	14,006	11,528	32,392	9,387	335,207	86,806	1,395,054
Transfer from										
retained earnings	-	-	89	-	-	-	-	(89)	-	-
Share of post-acquisition										
reserves of										
associated companies	-	-	(6,662)	-	-	-	-	-	-	(6,662)
Fair value losses on										
available-for-sale										
financial assets	-	-	-	-	-	(9,769)	-	-	-	(9,769)
Currency translation										
differences	-	-	-	-	-	-	(1,919)	-	(294)	(2,213)
Profit for the period	-	-	-	-	-	-	-	14,936	720	15,656
2004 final dividend paid	-	-	-	-	-	-	-	(11,737)	-	(11,737)
Balance at										
30th June 2005	234,738	594,896	69,521	14,006	11,528	22,623	7,468	338,317	87,232	1,380,329
Retained by:										
Company and										
subsidiaries	234,738	594,896	48,117	14,006	11,528	22,623	3,845	32,980	87,232	1,049,965
Associated companies	-	-	21,209	-	-	-	1,239	126,036	-	148,484
Jointly controlled entities	-	-	195	-	-	-	2,384	179,301	-	181,880
Balance at										
30th June 2005	234,738	594,896	69,521	14,006	11,528	22,623	7,468	338,317	87,232	1,380,329

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

First Shanghai Investments Limited (the "Company") and its subsidiaries, associated companies and jointly controlled entities (hereby collectively referred to as the "Group") are 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 and sales of child products.

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

2. 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.

3. 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".

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

3. Accounting policies *(Continued)*

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.

4. Segment information

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

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

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

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

4. Segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

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, properly holding and management HK\$'000	Sales of child products HK\$'000	Group HK\$'000
Sales	181,772	49,257	571,286	34,739	17,442	17,541	-	872,037
Segment results	15,140	11,476	(3,876)	1,670	(962)	76,502	-	99,950
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 15)	-	-	-	-	-	-	5,735	5,735
Profit for the period								86,144
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.

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

4. Segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

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 HK\$'000	Corporate finance and stockbroking HK\$'000	Container transportation and freight forwarding services HK\$'000	Hotel operation HK\$'000	Sales of motor vehicles and components HK\$'000	Investment holding, property holding and management HK\$'000	Sales of child products HK\$'000	Group HK\$'000
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 15)	-	-	-	-	-	-	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.

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

4. Segment information *(Continued)*

Primary reporting format – business segments *(Continued)*

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

	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	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 <i>(note 15)</i>	-	-	-	-	-	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

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

4. Segment information *(Continued)*

Primary reporting format – business segments (Continued)

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 15)	-	-	-	-	-	68,357	344,010	412,367
Tax recoverable								4,003
Deferred tax assets								603
Total assets								1,924,210
Segment liabilities	1,960	28,426	224,280	125,850	22,153	94,129	-	496,798
Liabilities directly associated with assets classified as held for sale (note 15)	-	-	-	-	-	11,989	-	11,989
Taxation payable								1,447
Deferred tax liabilities								516
Total liabilities								510,750

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

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

4. Segment information *(Continued)*

Secondary reporting format – geographical segments (Continued)

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		Total assets As at 30th June 2006 HK\$'000	Capital expenditure Six months ended 30th June 2006 HK\$'000
	Segment			
	Sales	results		
	Six months ended 30th June 2006 HK\$'000	2006 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
	872,037	99,950	1,620,656	42,655
Investments in associated companies			265,689	
Investments in jointly controlled entities			67,778	
Assets classified as held for sale <i>(note 15)</i>			79,935	
Tax recoverable			2,737	
Deferred tax assets			1,313	
Total assets			2,038,108	

	Unaudited		Audited Total assets As at 31st December 2005 HK\$'000	Unaudited Capital expenditure Six months ended 30th June 2005 HK\$'000
	Segment			
	Sales	results		
	Six months ended 30th June 2005 HK\$'000	2005 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
	362,417	1,153	1,158,768	67,738
Investments in associated companies			276,260	
Investments in jointly controlled entities			72,209	
Assets classified as held for sale <i>(note 15)</i>			412,367	
Tax recoverable			4,003	
Deferred tax assets			603	
Total assets			1,924,210	

Note: There are no sales among the geographical segments.

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

5. 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
Crediting:		
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	20,858	17,665
Charging:		
Depreciation	19,692	6,139
Amortisation of leasehold land and land use rights	623	389
Amortisation of intangible assets	-	540
Staff costs (<i>note 6</i>)	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	4,790	3,614

6. 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	-
	101,535	51,973

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

7. 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)
Taxation charge	1,526	2,103

8. Dividend

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

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.

9. 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.

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

10. Capital expenditure

	Unaudited			
	Intangible	Property,	Investment	Leasehold
	assets	plant and	properties	land and
	HK\$'000	equipment	HK\$'000	land use rights
	HK\$'000	HK\$'000	HK\$'000	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 5)	-	(19,692)	-	(623)
Impairment loss (note 5)	(400)	-	-	-
Currency translation differences	-	2,990	-	302
Net book value at 30th June 2006	3,493	275,820	31,368	66,056
	Audited			
	Intangible	Property,	Investment	Leasehold
	assets	plant and	properties	land and
	HK\$'000	equipment	HK\$'000	land use rights
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 (note 15)	-	(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
Net book value at 31st December 2005	3,893	262,203	19,260	66,377

11. 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%).

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

12. Trade receivables

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
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
	353,213	317,710

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

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
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
	353,213	317,710

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.

13. 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
	341,808	331,167

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

13. Trade and other payables *(Continued)*

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
	257,303	252,045

14. 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	2,000,000	400,000	2,000,000	400,000
<i>Issued and fully paid:</i>				
At 1st January	1,182,030	236,406	1,173,692	234,738
Exercise of share options	3,039	608	8,338	1,668
	1,185,069	237,014	1,182,030	236,406

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.

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

15. 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 condensed interim 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:

	Unaudited	
	Six months ended 30th June	
	2006	2005
	HK\$'000	HK\$'000
Profit for the period from discontinued operations		
Share of pre-tax profit of jointly controlled entities	5,032	31,268
Share of taxation of jointly controlled entities	703	(6,226)
Share of profits less losses of jointly controlled entities	5,735	25,042
	Unaudited	Audited
	30th June	31st December
	2006	2005
	HK\$'000	HK\$'000
Assets classified as held for sale		
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
	79,935	412,367
	Unaudited	Audited
	30th June	31st December
	2006	2005
	HK\$'000	HK\$'000
Liabilities directly associated with assets classified as held for sale		
Short-term borrowings - unsecured	-	11,989

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

16. Commitments

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

	Unaudited 30th June 2006 HK\$'000	Audited 31st December 2005 HK\$'000
Contracted but not provided for	77,699	11,655
Authorised but not yet contracted for	159,257	172,638
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	10,396	13,163

(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:

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

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
	24,475	18,652

17. 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	12,108	-

 (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	-
	34,816	3,633

18. 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 the 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 approximately US\$4.5 million resulted from an 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 five times over the same period of 2005 of approximately HK\$15 million. Basic earnings per share attributable to the shareholders of the Company grew 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).

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

At 30th June 2006, the interests of the Directors and chief executives in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

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

Directors		Personal Interests	Family Interests	Corporate Interests	Total	% of issued share capital of the Company
Mr. Lao Yuan Yi	Long position	90,216,000	-	72,952,000	163,168,000	13.77%
Mr. Xin Shulin, Steve	Long position	19,612,640	-	-	19,612,640	1.65%
Mr. Yeung Wai Kin	Long position	22,784,304	-	-	22,784,304	1.92%
Mr. Hu Yi Ming	Long position	2,300,000	-	-	2,300,000	0.19%
Prof. Woo Chia Wei	Long position	-	72,000	-	72,000	0.006%

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

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

Directors		Personal Interests	Total	% of issued share capital of the associated corporation	
Mr. Lao Yuan Yi	China Assets	Long position	725,000	725,000	0.97%
Mr. Yeung Wai Kin	China Assets	Long position	700,000	700,000	0.94%

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

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

SHARE OPTIONS

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

Movement of share options during the six months ended 30th June 2006 is as follows:

	Options held at 1st January 2006	Options granted during period (Note 1)	Options exercised during period (Note 2)	Options lapsed during period	Options held at 30th June 2006	Exercise price HK\$	Date of grant	Exercise period	Vesting period
Directors:-									
Mr. Lao Yuan Yi	5,503,900	-	-	-	5,503,900	0.318	11/07/1996	11/01/1997 - 15/07/2006	11/07/1996 - 10/01/1997
	10,000,000	-	-	-	10,000,000	0.816	01/11/1997	01/05/1998 - 12/11/2007	01/11/1997 - 30/04/1998
	22,842,000	-	-	-	22,842,000	0.564	30/11/2005	30/05/2006 - 11/12/2015	30/11/2005 - 29/05/2006
Mr. Xin Shulin, Steve	838,640	-	(838,640)	-	-	0.318	11/07/1996	11/01/1997 - 15/07/2006	11/07/1996 - 10/01/1997
	2,500,000	-	-	-	2,500,000	0.816	01/11/1997	01/05/1998 - 12/11/2007	01/11/1997 - 30/04/1998
	4,464,000	-	-	-	4,464,000	0.283	08/07/1998	08/01/1999 - 15/07/2008	08/07/1998 - 07/01/1999
	11,810,000	-	-	-	11,810,000	0.564	30/11/2005	30/05/2006 - 11/12/2015	30/11/2005 - 29/05/2006
Mr. Yeung Wai Kin	1,494,304	-	-	-	1,494,304	0.318	11/07/1996	11/01/1997 - 15/07/2006	11/07/1996 - 10/01/1997
	2,500,000	-	-	-	2,500,000	0.816	01/11/1997	01/05/1998 - 12/11/2007	01/11/1997 - 30/04/1998
	6,980,000	-	-	-	6,980,000	0.283	08/07/1998	08/01/1999 - 15/07/2008	08/07/1998 - 07/01/1999
	11,810,000	-	-	-	11,810,000	0.564	30/11/2005	30/05/2006 - 11/12/2015	30/11/2005 - 29/05/2006
Mr. Hu Yi Ming	1,000,000	-	-	-	1,000,000	0.816	01/11/1997	01/05/1998 - 12/11/2007	01/11/1997 - 30/04/1998
	1,300,000	-	-	-	1,300,000	0.283	08/07/1998	08/01/1999 - 15/07/2008	08/07/1998 - 07/01/1999
Employees	4,002,600	-	(2,200,000)	-	1,802,600	0.318	11/07/1996	11/01/1997 - 15/07/2006	11/07/1996 - 10/01/1997
	950,000	-	-	-	950,000	0.816	01/11/1997	01/05/1998 - 12/11/2007	01/11/1997 - 30/04/1998
	1,804,000	-	-	(800,000)	1,004,000	0.283	08/07/1998	08/01/1999 - 15/07/2008	08/07/1998 - 07/01/1999
	11,810,000	-	-	-	11,810,000	0.564	30/11/2005	30/05/2006 - 11/12/2015	30/11/2005 - 29/05/2006
	-	17,850,000	-	-	17,850,000	0.680	03/03/2006	03/03/2008 - 02/03/2016	03/03/2006 - 02/03/2008
	101,609,444	17,850,000	(3,038,640)	(800,000)	115,620,804				

Notes:

- (1) During the period, 17,850,000 share options were granted under the Scheme with an exercise price of HK\$0.680 per share. The related weighted average closing price immediately before the date on which the share options were granted was HK\$0.670 per share. The fair value of share options granted is estimated using the Black-Scholes valuation model based on the following assumptions:

As at 30th June 2006	
Date of grant	3rd March 2006
Fair value per share option	HK\$0.280
Share closing price	HK\$0.670
Exercise price	HK\$0.680
Expected volatility*	42.39%
Annual risk-free interest rate**	4.30%
Life of options	8 years
Dividend yield***	2.52%
Fair value of total share options granted during the period – Employees	HK\$5,002,000

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

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

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

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

- (2) During the period, 3,038,640 shares options were exercised under the Scheme with an exercise price of HK\$0.318 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK\$0.741 per share.
- (3) No share options granted under the Scheme were cancelled during the six months ended 30th June 2006.
- (4) The accounting policy adopted for share options is consistent with that as described in the annual financial statements for the year ended 31st December 2005.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2006, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

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

		Corporate Interests	Percentage
China Assets (Holdings) Limited ("China Assets")	Long position	248,249,300	20.95%

China Assets is a Hong Kong listed company, which is also an associated company of the Group. Apart from the above, so far as the Directors are aware, there are no parties which were, directly or indirectly, interested in 5% or more of the nominal value of the issued share capital of the Company as at 30th June 2006.

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.

The Board believes that vesting the role of both positions in Mr. Lao provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

b) Code Provision A.4.2

This Code stipulates that every director should be subject to retirement by rotation at least once every three years. 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.

By order of the Board
LAO Yuan Yi
Chairman

Hong Kong, 12th September 2006