



Chairman's Statement

I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2006. The Group's consolidated revenue and net profit attributable to shareholders of the Company for the year ended 31st December 2006 amounted to approximately HK\$1,319 million and approximately HK\$237 million respectively.

BUSINESS OVERVIEW

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

PROSPECTS

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

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

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

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

DIVIDEND

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

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

I would like to take this opportunity to express thanks on behalf of the Board to all our clients for their support and to our fellow Directors and staff members for their dedication and contribution.

LAO YUAN YI

Chairman

20th April 2007