Investments

Name	Amount (US$ million)	Shareholding (%)	Date Invested/ Approved	Provision made (US$ million)
1) Zhejiang Huayu Crafts Weaving & Dyeing Co., Ltd.	0.74	12.25	December 1991	0.74
2) Shenzhen SPEC Plastics Holdings Co., Ltd.	5.54	28.05	June 1992	—
3) Suzhou Universal Chain Transmission Co., Ltd. *	2.00	33.33	December 1992	0.60
4) Jinan Lingyan Cement Co., Ltd.	2.01	30.00	April 1993	2.01
5) Wuxi United Iron & Steel Co., Ltd.	7.38	25.00	July 1993	7.38
6) Dezhou Zhenhua Glass Co., Ltd. *	3.20	30.00	May 1994	3.20
7) Foshan Nanwah Construction Material Co., Ltd.	2.85	30.00	July 1994	2.85
8) Wuxi Tristar Iron & Steel Co., Ltd.	6.95	25.00	August 1994	6.95
9) Zhongshan Dongfu Road and Bridge Investment Co., Ltd.	9.10	35.00	March 1995	0.50
10) Shandong Lukang Pharmaceutical Co., Ltd.	9.59	17.45	April 1995	—
11) Wuxi Huate Steel Strip Co., Ltd. *	1.88	29.75	December 1995	—
12) Zhongshan Nangang Road and Bridge Co., Ltd.	6.00	29.23	February 1996	2.00
13) First Shanghai Investments Limited	12.62	20.66	September 1998	—
14) Genius Technology International Limited *	1.10	11.48	July 1999	0.30
	70.96			26.53

* Held indirectly by the Company

LONG-TERM INVESTMENTS

First Shanghai Investments Ltd. ("FSIL")

The performance of most investments remained stable and continued to grow steadily resulting in a healthy growth in net profits. The financial services division reported satisfactory results, thanks to a buoyant stock market in the first half of 2000. Other investments also benefited from economic improvements in China.

The Company increased its shareholding to over just 20% in FSIL during the year so to maintain FSIL as an associated company.

Genius Technology International Ltd. ("GTI")

Shenzhen Genius Information Technology Co. Ltd. ("SGI"), which is 90% held by GTI continued to expand its business in 2000. The completion of most of the infrastructure work enabled annual turnover of SGI to treble that of the previous year. A new multi-media product was launched during the year and more cross media products will be launched in the future. Due to expansion of staff and marketing forces, substantial development costs were incurred which resulted in a loss being recorded for the year.

A new investor was brought into GTI in 2000, diluting the Company's shareholding from 13.2% to 11.5%. For prudence sake, a provision being part of the difference between purchase consideration and net asset value, has been made against this investment during the year.

Shandong Lukang Pharmaceutical Co., Ltd. ("Lukang")

Lukang maintained its leading position in the industry and was ranked as one of the three largest antibiotics producers in China. Although the volatile antibiotics market was stabilized by a new regulatory policy, traditional products still suffered from severe competition. This was a result of the inherent defects in market structure and government policies. These problems are gradually retreating in the transition to a market economy. Following completion of the 1000 tons penicillin projects in 2000, both production capacity and product range of Lukang were increased. It is expected that Lukang's performance will be affected in the short term as it takes time for the market to absorb the additional production capacity and new products. Despite this, Lukang still recorded a strong profit growth in 2000, mainly because of a timely switch of production to higher margin products such as animal-used antibiotics.

Shenzhen SPEC Plastics Holdings Co., Ltd. (“SPPC”)

SPPC recorded a healthy growth in both turnover and profits, during a year of challenges. During the year, the core business of PVC chips suffered from rising raw material costs and fierce competition in the Pearl River Delta. However, as the building material business and Zhuzhou Plastics Co. Ltd. (“Zhuzhou”) started to provide meaningful returns, the overall performance of SPPC improved.

In order to maintain the growth momentum, SPPC decided to shift its focus to develop new products and new domestic markets. In October, SPPC entered into a co-operation agreement to produce PET films, which is similar to PVC in properties but is environmentally friendly and recyclable. It is believed the new product will have a good growth potential in China. SPPC also plans to set up a new production base in Northeastern China to replace its existing leased production plant in the City of Fuxin. It is expected the production capacity of the new joint venture will be easily absorbed by SPPC’s existing customers in the area.

Suzhou Universal Chain Transmission Co., Ltd. (“SUCTC”)

As competition remained intense in the domestic market, SUCTC continued to develop export sales which became the main profit contributor. In 2000, export sales increased by nearly 46% from the previous year and accounted for one third of the total turnover. As a result, SUCTC managed to achieve an operating profit before adjustments for doubtful debts and obsolete stocks.

The economic downturn in the developed countries has affected export sales substantially in the first quarter of 2001. To tackle this unfavourable situation, SUCTC will continue to explore more overseas markets, while at the same time re-focus on the domestic market and speed up the development of new products.

Wuxi Huate Steel Strip Co., Ltd. (“Huate”)

Due to increased production capacity, higher efficiency and strict cost management, Huate recorded satisfactory results in 2000. Compared to that of the previous year, annual turnover rose by 12% with profit for the year jumping by more than 20%. In recognition of the outstanding performance and in an attempt to keep the management team who have been constantly enticed away by competitors and new investors, it was agreed by all shareholders of Huate to grant an 8% equity interest to the senior management. In addition, another 7% equity interest would be sold to management at a price based on the prevailing net asset value of Huate. After the transfer, the management bonus will be reduced in the future. A one-time exceptional loss of US$168,757 was incurred by the Group for the transaction, which was equal to the value of interest granted. The shareholding of the Company in Huate was also reduced from 35% to 29.75%.

In pursuit of growth opportunities, Huate decided to develop and produce a new product - stainless steel strips in 2001. A new joint venture Wuxi Huasheng Precision Alloy Metal Co. Ltd. ("Huasheng") will be formed to utilize the current tax benefits available to Sino-foreign equity joint venture. The registered capital of Huasheng is US$2.5 million and the Company's share will be US$743,750 which will be funded mainly by Huate's distribution profit.

Zhongshan Dongfu Road and Bridge Investment Co., Ltd. ("Dongfu")

Both traffic volume and toll revenue recorded a stable growth in 2000.

The Company is guaranteed a minimum return on this investment. Due to the delay in payment, a provision of US$2.37 million had been made in 1998 for the outstanding guaranteed returns. In 1999, a further provision of US$871,311 and US$500,000 had been made for the outstanding amortisation returns and for diminution in value respectively. During the year, the Company received part of the monthly toll road revenue as a regular payment.

The Company has been negotiating with the Zhongshan Municipal Government about early termination of the project. Recently, we were advised that the Guangdong Provincial Government had approved a proposal submitted by the Zhongshan Municipal Government to restructure the whole toll road system in the city. According to the proposal, all foreign investments, including the Company's toll road investments will be settled. The Company will closely follow the implementation of the restructuring proposal and hold further meetings with the responsible officials to discuss the overall settlement arrangement.

Zhongshan Nangang Road and Bridge Co., Ltd. ("Nangang")

During the year, Nangang only recorded a small growth in traffic volume and toll revenue received.

The Company is guaranteed a minimum return on this investment. Due to the delay in payment, a provision of US$1.80 million had been made in 1998 for the outstanding guaranteed returns. In 1999, a further provision of US$639,948 and US$2 million had been made for the outstanding amortisation returns and for diminution in value respectively. During the year, the Company received part of the monthly toll road revenue as a regular payment.

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INVESTMENTS FOR WHICH FULL PROVISIONS HAD BEEN MADE

Dezhou Zhenhua Glass Co., Ltd. ("DZGCL")

Taking advantage of the suspension of production for a major overhaul by several competitors nearby, the performance of DZGCL improved considerably in 2000 and a good profit was recorded. Nevertheless, as the supply of float glass continued to rise, pressure continued to mount on the sheet glass industry which was already under severe competition. It is expected that the profit margin of sheet glass will be squeezed further, this may eventually affect the survival of the sheet glass manufacturers.

In view of the dim future for the sheet glass industry, a full provision of US$3.2 million was made against this investment in 1998.

Sanshui Yoright Plastic and Electrical Co., Ltd. ("Yoright")

According to the agreement reached with Keep Mount (Holdings) Limited ("Keep Mount"), the parent company of Grandbliss Development Limited through which the investment in Yoright was made, Keep Mount would repay the Company's investment cost plus interest over a period of three years ended 31 December 1998. As at 31 December 1999, a total of US$2.78 million had been recovered.

After further negotiation with Ultragrace Limited ("Ultragrace"), which is the official window company of the Sansui Municipal Government in Hong Kong and a related company of Keep Mount, a new settlement agreement was signed in October. Ultragrace agreed to pay a total of HK$2.1 million (approximately US$274,000) by 11 instalemnts to the Company for settlement of all outstanding principal and partial interests due from Keep Mount. After the first instalment of HK$200,000 (approximately US$25,650) received in October, the Company had not received any payment yet.

The Company has tried to contact the chairman of Ultragrace who is involved in litigations and is found to have absconded. The Company is now evaluating the situation and weighing the pros and cons of a petition for bankruptcy.

Wuxi Tristar Iron & Steel Co., Ltd. ("Tristar")

According to a lease agreement signed in December 1999, the whole production plant and supporting facilities of Tristar were leased to a local steel maker. From 2001 onwards, Tristar will receive annual lease fees starting from Rmb5 million (approximately US$0.6 million) and gradually increasing to Rmb11 million (approximately US$1.3 million) over its lease period of 10 years.

Renovation work has proceeded smoothly but is slightly behind schedule. As there was a change in the renovation design, trial production is now expected to commence in the second half of 2001. A full provision of US$6.95 million was made against this investment.

Wuxi United Iron & Steel Co., Ltd. ("WUISL")

The overall performance of WUISL improved significantly in 2000, mainly as a result of a stablized steel market during the year. After obtaining more working capital loans in the first quarter, WUISL started a series of cost reduction and production renovation programs. Several loss-making divisions were either contracted to third parties or production stopped totally. As a result, both production efficiency and profitability improved. Working capital also returned to a healthier position. In 2001, WUISL will continue to adopt a strict cost control policy. Operations will be further streamlined and new products will be developed.

Due to substantial accumulated losses, a full provision of US$7.38 million was made against this investment in 1998.

Zhejiang Huayu Crafts Weaving & Dyeing Co., Ltd. ("Huayu")

The synthetic fabrics market slightly recovered but competition was still fierce. Due to lower selling price, Huayu could only break even for the whole year, similar to the previous year.

In view of the dim future, a full provision of US$0.74 million was made against this investment in 1998.

LISTED SHARES

During the year, the Company recorded a profit on disposal of US$413,657. The shares held at 31 December 2000 have a carrying value of US$2,289,811 and a market value of US$1,755,752. An unrealised loss of US$534,059 was included in the profit and loss account for the year.