

Unlisted Investments as at 31st December 2004

Name	Nature of business	% of total issued capital	Invested amount US\$	Provision made US\$	Carrying value US\$	% of net asset value	Dividend received in 2004 US\$	Dividend received in 2003 US\$
First Shanghai Investments Ltd.	Investment holding	21.15%	13,802,288	0	29,171,380	25.80%	382,192	318,330
Shandong Lukang Pharmaceutical Co., Ltd.	Manufacture and sale of pharmaceutical products	15.46%	9,594,203	9,774,112	19,619,298	17.35%	463,226	767,955
Suzhou Universal Chain Transmission Co., Ltd. *	Production and sale of industrial chains	30.00%	1,683,675	1,223,962	199,400	0.18%	18,488	11,180
Dezhou Zhenhua Glass Co., Ltd.	Production and sale of glass products	30.00%	3,202,000	3,202,000	0	0.00%	43,245	36,000
Total			28,282,166	14,200,074	48,990,078	43.33%	907,151	1,133,465

* Investment in Suzhou Universal Chain Transmission Co. Ltd. was disposed of in March 2005.

Other Listed Investments as at 31st December 2004

Name	Nature of business	Number of shares held	% of total issued capital	Cost US\$	Market value US\$	% of net asset value	Dividend received US\$
KongZhong Corporation	Provision of wireless value-added services	125,282,520	9.14%	1,073,851	30,099,125	26.62%	0
The Kwong Sang Hong International Ltd.	Property development	1,000,000	0.10%	154,854	158,153	0.14%	0
HC International, Inc.	Provision of value-added business information	534,000	0.12%	123,883	123,590	0.11%	0
Bestway International Holdings Ltd.	Manufacturing and trading of plastic products	15,000,000	0.44%	1,032,701	111,864	0.10%	0
China Shineway Pharmaceutical Group Ltd.	Manufacturing and sale of pharmaceuticals	50,000	0.01%	28,314	27,805	0.02%	0
ZTE Corporation	Development and production of advanced telecommunications systems and equipment	5,600	0.00%	16,001	18,109	0.02%	0
Total				2,429,604	30,538,646	27.01%	0

* Investment in The Kwong Sang Hong International Co., Ltd. was disposed of in February 2005.

Long-term Investments

First Shanghai Investments Ltd. ("FSIL")

FSIL reported a profit of HK\$80.35 million for 2004, representing a decrease of 14% over that of the previous year. Both the turnover and gross profit rose significantly as FSIL acquired additional interests in an vehicles-meters manufacturing company and consolidated its results for the year. FSIL disposed of 51.8% interests in this company in December 2004 and treated it as an associated company at the year end. Benefiting from a robust securities market, FSIL recorded satisfactory growth in stockbroking and corporate finance business.

During the year, FSIL's child products division recorded a stable growth in turnover but the profit margin was negatively affected by increased commodity prices. A substantial provision was also made for amount receivable from a trade debtor who filed under Chapter 11 of US federal bankruptcy laws.

As at 31st December 2004, the share of net asset value of FSIL by the Group amounted to US\$29.17 million, representing approximately 25.80% of the net asset value of the Group.

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

Suffering from weak products price and higher production costs, Lukang recorded a substantial loss of RMB92 million (according to its 2004 audited accounts), compared to a profit of RMB54 million in 2003. During the year, the antibiotics market was adversely affected by industry overcapacity and several government measures implemented to control price and application of antibiotics. Products price was contained at a low level as a result. On the other hand, surge in production costs such as raw material and fuel further aggravated Lukang's profitability. Although Lukang re-adjusted its products mix and strengthened its marketing effort, the immediate effect was not apparent.

In view of the huge loss and uncertainty of when or whether a recovery could be achieved, a provision of US\$9.77 million was provided against this investment as an impairment loss.

As at 31st December 2004, Lukang was classified by the Group as unlisted investment with carrying value stated at US\$19.62 million, representing 17.35 % of the net asset value of the Group.

Suzhou Universal Chain Transmission Co., Ltd. ("Suzhou Chain")

During the year, normal production of Suzhou Chain was affected by irregular power supply in the region. Together with rising raw material costs, Suzhou Chain recorded a loss of RMB8.06 million for 2004, compared to a profit of RMB0.09 million in 2003 (according to its 2004 management accounts and 2003 audited accounts).

In November 2004, a sale and purchase agreement was signed with a PRC company which agreed to purchase the Company's 30% equity interests in Suzhou Chain at a consideration of RMB4.50 million (equivalent to approximately US\$0.54 million). Completion of the disposal will be subject to approvals being obtained from relevant authorities. The Company has received the disposal proceeds in March 2005 and a disposal profit of approximately US\$0.03 million will be accounted for in the accounts of 2005.

Investments for which Full Provisions had been made

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

Zhenhua reported a loss of RMB7.36 million for 2004, compared to the RMB0.62 million loss in 2003 (according to its audited accounts). The deterioration was mainly due to increased costs in raw materials and transportation expenses. Overall result was further worsened by absorption of the amortized costs for the major overhaul underwent in 2003.

A full provision of US\$3.2 million was made against this investment in 1998 in view of the uncertain future for the sheet glass industry.

Listed Shares

KongZhong Corporation ("KongZhong")

During the year, the wireless value-added services market faced more challenging issues such as increased regulatory measures and intense competition. Despite these challenges, KongZhong was able to grow by continuing to sustain its leadership position in the fast growing 2.5G market in China, diversifying its revenues from different services and distribution channels, expanding its national sales network to more provinces and partnering with more content providers. As the China's market continued to migrate from 2G to 2.5G mobile phones, KongZhong was well positioned to capture the long-term growth potential. KongZhong announced its annual result in February 2005, reporting an year-on-year increase of 514% and 746% on revenue and net income to US\$48 million and US\$20 million respectively.

As mentioned in the 2004 interim report and the announcement dated 15th July 2004, KongZhong successfully completed its initial public offering (the "Offering") on the Nasdaq National Market in the United States in early July and raised a total of US\$80 million (gross). The Company sold 367,937 American Depositary Shares ("ADS") in the Offering and recorded a disposal profit of US\$3.24 million. After the Offering, the Company held 3,132,063 ADS, representing 125,282,520 ordinary shares or approximately 9.1% of KongZhong, which was subject to a lock-up period of 180 days after 8th July 2004.

After the lock-up period ended on 8th January 2005, the Company could resell the shares in accordance with the US Securities Act. On 23rd February 2005, an announcement was made by the Company which disclosed the plan to dispose of its remaining shares in KongZhong. As the proposed disposal might constitute a very substantial disposal of the Company under the Listing Rules, shareholders' approval and relevant listing requirements are required. The Company is now in the process of preparing the circular in relation to the proposed disposal, which will be dispatched to the shareholders after the publication of this annual report. No contracts have been entered into by the Company yet as the Company considers that it should first obtain the shareholders' approval so that a disposal can be effected expeditiously when market conditions are favourable. As a result of the proposed disposal, KongZhong was reclassified as other investments and stated at the market value of US\$30.10 million as at 31st December 2004, representing 26.62% of the net asset value of the Group. An unrealized gain of US\$29.03 million is recorded accordingly.

During the year, the Company recorded a profit on disposal of US\$3,250,241 for all of its listed portfolio. The shares held at 31st December 2004 had a carrying value of US\$30,538,646. An unrealized profit of US\$29,083,151 was included in the profit and loss account for the year.