

Investments

LONG-TERM INVESTMENTS AS AT 31ST DECEMBER 2005

Name	Nature of business	% of total issued capital	Invested amount US\$	Impairment loss US\$	Fair value US\$	% of net asset value	Dividend received US\$
First Shanghai Investments Limited	Investment holding	21.00%	13,802,288	0	30,747,470	25.14%	319,099
CITIC Capital China Property Investment Fund, L.P.	Investment in property projects	30.00%	13,500,000	0	18,672,903	15.26%	0
Shandong Lukang Pharmaceutical Co., Ltd.	Manufacture and sale of pharmaceutical products	15.46%	9,594,203	13,461,577	15,931,833	13.02%	0
Konka Group Company Limited	Manufacture and sale of TV and electronic products	2.34%	6,147,033	2,528,898	3,618,135	2.96%	0
CITIC Capital China Property Partners, Ltd.	Fund management	25.00%	250	0	250	0.00%	0
Dezhou Zhenhua Glass Co., Ltd.	Production and sale of glass products	30.00%	3,202,000	3,202,000	0	0.00%	0
Total			46,245,774	19,192,475	68,970,591	56.38%	319,099

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Name	Nature of business	% of total issued capital	Invested amount US\$	Impairment loss US\$	Fair value US\$	% of net asset value	Dividend received US\$
First Shanghai Investments Limited	Investment holding	21.15%	13,802,288	0	29,171,380	25.80%	382,192
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
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
Dezhou Zhenhua Glass Co., Ltd.	Production and sale of glass products	30.00%	3,202,000	3,202,000	0	0.00%	43,245
Total			28,282,166	14,200,074	48,990,078	43.33%	907,151

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OTHER LISTED INVESTMENTS AS AT 31ST DECEMBER 2005

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	2,219,888 ADS	6.40%	761,104	27,748,600	22.68%	0
HC International, Inc.	Provision of value-added business information	784,000	0.17%	170,480	167,817	0.14%	0
China Shineway Pharmaceutical Group Ltd.	Manufacturing and sale of pharmaceuticals	50,000	0.006%	28,314	25,145	0.02%	618
Total				959,898	27,941,562	22.84%	618

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	3,132,063 ADS	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	0.0%	16,001	18,109	0.02%	0
Total				2,429,604	30,538,646	27.01%	0

LONG-TERM INVESTMENTS

First Shanghai Investments Limited (“FSIL”)

FSIL reported a profit of HK\$76.32 million (approximately US\$9.78 million) for 2005, representing a drop of approximately 5% over that of the previous year. The drop was mainly due to the lacklustre performance of its corporate finance and brokerage division during the year. Affected by the new policy announced by the State Administration of Foreign Exchange at the beginning of 2005, FSIL completed only one IPO assignment during the year. As the capital market becomes more active since the beginning of 2006, it is expected its corporate finance and brokerage division can benefit and will further improve its performance.

FSIL continued to expand its logistics business and appointed a new team in developing the air-freight forwarding business. Turnover from the logistics business increased substantially as a result.

On 7th November 2005, FSIL announced that it had entered into agreements to dispose of its entire interests in Geoby International Holdings Limited which was mainly engaged in production and sale of child products such as strollers and bicycles in China. If the disposal is completed successfully, FSIL is able to record a disposal profit of approximately HK\$81.7 million (approximately US\$10.54 million) (unaudited) which will be accounted for in the accounts of 2006.

Shandong Lukang Pharmaceutical Co., Ltd. (“Lukang”)

The penicillin market in China continued to undergo consolidation and competition remained intense during the year. Several competitors had expanded their production capacity substantially and as a result, the average selling price of penicillin bulk medicine fell substantially. In October, the National Development and Reform Commission of China executed further price-cut order on antibiotics, which put additional pressure on Lukang. In order to reduce further losses, a new management team was appointed in August and more stringent cost control measures were adopted. In addition, more efforts would be spent on enforcing its sales and marketing system and strengthening the partnership with different research institutes and hospitals in new drugs research and development. Lukang reported a profit of RMB4.98 million (approximately US\$0.62 million) for 2005, mainly due to an unrealised exchange gain.

The Company had been maintaining a regular dialogue with its largest shareholder — Shandong Lukang Pharmaceutical Group Company Limited (“Lukang Group”) about the shares reform of Lukang. In December, Lukang announced that all of the legal person shares held by Lukang Group in Lukang were frozen by the court after a loan dispute between Lukang Group and a local bank. A fair value adjustment loss of US\$1.07 million was further provided against Lukang as at the year end, in addition to US\$2.62 million already provided in the interim accounts.

LONG-TERM INVESTMENTS *(Continued)*

CITIC Capital China Property Investment Fund, L.P. (the “Property Fund”)

The Company invested a total of US\$13.50 million in the Property Fund soon after the shareholders of the Company approved the investment on 14th March 2005. The Property Fund took advantage of the unstable market sentiment and quickly acquired a property complex at a discount to the prevailing market price in Shanghai, China. The property complex which is situated in Luwan District, one of the Central Business Districts in Shanghai comprises a 11-storey office tower and a 23-storey service apartment with car parking spaces. The property complex achieved an overall occupancy rate of over 90% in 2005 and total rental income (gross) received for the 9-month period amounted to approximately US\$5.72 million. As more multinational companies expand aggressively in China, high-grade office market in Shanghai continues to receive strong demand. The property complex was re-valued by an independent property appraiser in October 2005 reporting that the value of the property complex appreciated by approximately 20% over that of 11 months ago.

The Property Fund completed a second closing in January 2006 admitting additional limited partners and raising a total of approximately US\$31 million. The capital commitments of all the limited partners in the first closing were re-valued for an appreciation of 11% at the second closing and the capital commitment of the Company rose to US\$15 million from US\$13.5 million accordingly. As a result of the second closing, the Company's share of total commitments of the Property Fund is reduced to 18.5%.

Konka Group Company Limited (“Konka”)

The Company acquired a total of 14.1 million B-shares in Konka at a total consideration of approximately US\$6.15 million during the year. Konka is one of the market leaders in the TV manufacturing industry in China, with its A and B shares listed on the Shenzhen Stock Exchange.

Konka reported a drop in net profit for the first three quarters of 2005, mainly due to underperformance of its mobile phone business, which was under intense competition with international manufacturers and “black” products suppliers. As Konka maintained its leadership in the TV manufacturing industry, it achieved a total net profit of RMB34.85 million (approximately US\$4.32 million) for the first three quarters of 2005.

Affected by the across-the-board drop of the B-share market, Konka's share price dropped in the second half year and a fair value adjustment of approximately US\$2.47 million was transferred to investment revaluation reserve.

In March 2006, the shareholders of Konka approved the share reform proposal of Konka of which the non-tradable shareholders were required to pay the tradable shareholders (A-share) 2.5/10 consideration shares for the trading rights. Since the B-shares tradable shareholders were not included in the share reform, the Company would not receive any consideration shares from the non-tradable shareholders.

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INVESTMENTS FOR WHICH FULL PROVISIONS HAD BEEN MADE

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

Due to the obsolete production equipment and technology, production of Zhenhua had been suspended in August 2005. A loss of RMB36.65 million (approximately US\$4.54 million) was incurred for the year as a result. The Company is now discussing with the PRC majority shareholder about different alternatives for Zhenhua's future development, including liquidation.

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

During the year, the Company achieved a profit on disposal of US\$3.03 million for its listed portfolio, of which the disposal profit of KongZhong amounted to US\$2.30 million. The shares held at 31st December 2005 had a carrying value of US\$27.94 million. Unrealised fair value gains of US\$6.40 million were included in the consolidated profit and loss account for the year.

KongZhong Corporation ("KongZhong")

KongZhong remained the leader in China in terms of revenue from 2.5G services. Total revenue in 2005 increased 62% from 2004 to reach new record of US\$77.75 million. Profit for the year grew 9% to US\$22.18 million, after deducting a one-time provision of US\$3.5 million related to the pending settlement of a lawsuit.

The Company disposed of a total of 912,175 KongZhong's ADS in 2005 at an approximate average price of US\$12.23. The highest and lowest price of KongZhong's ADS were US\$14.84 and US\$6.66 respectively in 2005.