

Investments

Long-term Investments as at 31 December 2006

Name	Nature of business	% of total issued capital %	Invested amount US\$	Impairment loss US\$	Carrying value/ Fair value# US\$	% of net assets value %	Dividend received US\$
First Shanghai Investments Limited	Investment holding	20.75	13,770,330	0	38,208,500	27.35	1,117,030
Shandong Lukang Pharmaceutical Co., Ltd.	Manufacture and sale of pharmaceutical products	11.46	9,594,203	0	24,784,581#	17.74	0
CITIC Capital China Property Investment Fund, L.P.	Investment in property projects	17.42	13,500,000	0	17,875,101	12.80	0
Konka Group Company Limited	Manufacture and sale of TV and electronic products	2.34	6,085,749	0	5,709,970#	4.09	0
iMedia Holdings Ltd.	Provision of digital content and on-line magazines	*25.00	4,000,000	0	3,674,957	2.63	0
Beijing PanAm International Aviation Academy Co. Ltd.	Provision of civil aviation training services	**2.54	1,710,000	0	1,710,000#	1.23	0
CITIC Capital China Property Partners Ltd.	Fund management	25.00	250	0	0	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			51,862,532	3,202,000	91,963,109	65.84	1,117,030

* % upon completion of financing according to the share subscription agreement signed on 1 July 2006

** indirect interest

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First Shanghai Investments Limited	Investment holding	21.00	13,802,288	0	30,747,464	25.14	319,099
CITIC Capital China Property Fund, L.P.	Investments 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	0	15,931,833#	13.02	0
Konka Group Company Limited	Manufacture and sale of TV and electronic products	2.34	6,147,033	0	3,618,135#	2.96	0
CITIC Capital China Property Partners, Ltd.	Fund management	25.00	250	0	347	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	3,202,000	68,970,682	56.38	319,099

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Other Listed Investments as at 31 December 2006

Name	Nature of business	Number of Shares held	% of total issued capital %	Cost US\$	Market value US\$	% of net assets value %	Dividend received US\$
KongZhong Corporation	Provision of wireless value-added services	1,423,920 ADS	3.97	488,201	13,897,459	9.95	0
Town Health International Holdings Co. Ltd.	Provision of health and dental services	40,000,000	0.77	1,343,213	1,203,317	0.86	0
Total				1,831,414	15,100,776	10.81	0

Other Listed Investments as at 31 December 2005

Name	Nature of business	Number of Shares held	% of total issued capital %	Cost US\$	Market value US\$	% of net assets value %	Dividend received US\$
KongZhong Corporation	Provision of wireless value-added services	2,219,888 ADS	6.4	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

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First Shanghai Investments Limited (“FSIL”)

FSIL reported a profit of HK\$236.57 million (approximately US\$30.41 million) for 2006, representing an increase of 210% over that of the previous year. The jump was mainly due to additional gains from the disposal of interests in Geoby International Holdings Ltd. and a property located in Shanghai, PRC.

Benefited from a buoyant stock market, FSIL recorded a satisfactory result from its brokerage and securities trading business. The hotel operation was at its initial stage of development but continued to record improvements in its room occupancy rate.

On 10 April 2006, FSIL announced that it entered into an agreement to dispose of its shareholdings in a company which owned the assets and business of Traders Hotel at Kunshan, PRC. Upon completion of the transaction, FSIL will record a gain of approximately HK\$145 million from the disposal in 2007.

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

Lukang announced its third quarter result in October 2006, reporting a profit of RMB7.4 million compared to RMB2.4 million of the corresponding period last year. During the first three quarter, market competition remained intense but Lukang strove to achieve better performance by improving its production technology and product quality.

On 16 October 2006, the shareholders of Lukang approved the share reform proposal which proposed Lukang to issue new shares to all tradable-share holders at a ratio of 2.04 shares for every 10 tradable shares. Although the Company was also granted additional shares to keep its equity interests unchanged after the share reform, all the additional shares would be required to return to Lukang at the time when the Company applied for the trading right for its shares in the future. In substance the Company’s effective interests in Lukang was diluted from 15.46% to 11.46% after the share reform. All the shares held by the Company in Lukang would also be subject to a 12-month lock-up period and thereafter shares of not more than 5% and 10% of the total issued shares of Lukang could be traded on the stock exchange in the next 12-month period and 24-month period respectively. As a result of the completion of the share reform, the Company’s investment in Lukang would be valued at the prevailing market price of Lukang’s shares listed on the Shanghai Stock Exchange. As at 31 December 2006, the fair value of Lukang was stated as US\$24.78 million and the gain of US\$8.85 million was transferred to the investment revaluation reserve of the Company and of the Group.

In January 2007, Lukang issued a profit warning stating that a substantial loss was expected in the fourth quarter and the whole year of 2006, as a result of products price reduction, increase of raw material costs, increase of doubtful debt provision and more expenses incurred for development of rural market.

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

The 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 commitment in the Fund was diluted to 17.42%

After acquiring the podium subsequent to closing of second round financing, the Fund launched a campaign to reposition the podium in the hope of achieving a better return.

While working on improving the occupancy rate of the property, the Fund also mandated a reputable agent to look for potential buyers. After due diligence and negotiation, the Fund entered into conditional agreement to dispose of the property in November 2006. Subject to fulfilment of the conditions precedents, the divestment was expected to complete by the second quarter of 2007.

Konka Group Company Limited (“Konka”)

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

Konka announced its third quarter result in October 2006, reporting a profit of RMB48.37 million compared to RMB34.85 million of the same period last year. The increase was mainly due to an improved result of its mobile telephones business. During the period, Konka continued to maintain a leading position in the market of colour TVs in the PRC.

Benefited from the robust stock market in China, share price of Konka increases significantly after the year end of 2006. As a result, the Company starts to dispose of Konka shares in the first quarter of 2007.

iMedia Holdings Ltd. (“iMedia”)

The Company invested a total of US\$4.0 million for 25% equity interest in iMedia in July 2006. iMedia is engaged in provision of digital content and on-line magazines to internet users in China. It has also received support from Jiefang Media Group, which owns various magazines and publications. iMedia is now in the stage of team building and initial development of its on-line magazine business through its platform in iMook. Affected by the negative news about false viewing numbers of on-line advertising industry, the overall performance of iMook is negatively affected and the result of 2006 is poorer than the forecast.

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Beijing PanAm International Aviation Academy Co. Ltd. (“Beijing PanAm”)

The Company acquired 2.542% indirect interest in Beijing PanAm at consideration of US\$1.71 million from one of the shareholders in November 2006. Beijing PanAm is mainly engaged in provision of civil aviation training services in China. As the aviation industry in China grows rapidly, it is expected the demand for pilot training services will increase significantly in the coming years.

Beijing PanAm achieved a satisfactory result for 2006. In order to facilitate rapid expansion, Beijing PanAm intends to have more aircrafts and training centres.

NetDragon Websoft Inc. (“NetDragon”)

In December, the Company entered into an agreement to subscribe new shares representing 1.11% of NetDragon which was mainly engaged in provision of on-line games in China. NetDragon was one of the leading companies in the industry which owned a strong development team to develop its own on-line games. Its major source of income was revenue from selling value-added items i.e. weapons and costumes to the game subscribers.

After the year end, the Company paid the consideration of US\$1.035 million on 12 January 2007.

Investment For Which Full Provisions Had Been Made

Dezhou Zhenhua Glass Co., Ltd. (“Zhenhua”)

Since Zhenhua ceased production in August 2005, the Company has been in discussion with the PRC majority shareholders about the future arrangement. Different alternatives were reviewed but yet to be decided. A loss of RMB9.24 million (approximately US\$1.18 million) was incurred for the year as a result.

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.

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Listed Shares

During the year, the Company incurred a loss on disposal of US\$0.43 million for its listed portfolio, of which the disposal loss of KongZhong amounted to US\$1.54 million. The shares held at 31 December 2006 had a carrying value of US\$15.10 million. Unrealised fair value loss of US\$4.04 million were included in the consolidated profit and loss account for the year.

KongZhong Corporation (“KongZhong”)

Despite the negative impact from the regulatory changes introduced by the telecommunication operators, KongZhong achieved a better-than-expected result for 2006, reporting year-on-year increase of 37% and 11% in revenue and net income respectively. But as the negative impact was expected to continue, KongZhong issued a guidance of a lower revenue in the first quarter of 2007. The share price of KongZhong was affected as a result.

The Company disposed of a total of 795,968 KongZhong’s ADS in 2006 at an average price of US\$10.60. The highest and lowest closing price of KongZhong’s ADS were US\$15.30 and US\$5.51 respectively in 2006.