REVIEW OF RESULTS

During the first half of 2001, the Company achieved an operating profit after tax of US$6,122,551 *(2000: US$2,317,334)*, attributable to dividends from listed and unlisted investments and realised gains on sale of listed investments. Overall performance of unlisted investments showed improvements, indicated by a significant increase in dividend income, the bulk of which is attributable to one particular investment. Details of respective dividend income are elaborated under the Unlisted Investments section below. Listed investments experienced a drop in the market values during the period which resulted in a negative 6.3% return on listed investment portfolio. Nevertheless, the results still compared favourably to the 13.6% negative return on the Hang Seng Index. The net asset value ("NAV") per share of the Company as at 30 June 2001 was US$7.53, up 6% compared with the restated NAV per share at the end of 2000 and 10% on a year-on-year basis, mainly attributable to an appreciation in value of an unlisted investment.

UNLISTED INVESTMENTS

In the new millennium, a number of unlisted investments maintain their development with satisfactory operating results and dividend distribution:

- Concord Greater China Limited ("CGC") formed a strategic alliance with Auchan SA, a French hypermarket operator, to establish a joint venture Sun Holdings Greater China Limited ("Sun Holdings") to enhance purchasing power through combined resources of procurement to develop their respective businesses in China. Upon completion of the joint venture exercise on 6 March 2001, CGC and Auchan SA acquired equal interests in Sun Holdings while the Company's 22.48% direct holding in CGC remained unchanged. During this period, CGC declared a dividend of US$27 million to its shareholders and the Company had since received its entitlement of US$6,075,000 dividend income. It was envisaged that there would be successive tranches of capital increase in CGC through share allotments to its existing shareholders and new investors. The Company did not participate in the first two tranches and its equity stake in CGC was consequently diluted to 20.97% and later to 17% as at 30 June and 6 July 2001 respectively. In view of the above dividend distribution, restructuring and capital increase which has led to an increase in net asset value of this investment, an appreciation in value of US$2.7 million was recommended.

- A dividend income of approximately US$264,000 was received from Suzhou Taihai Automobile Ferry Wharf Limited ("Taihai") based on last year's operating results. Due to increased passenger flow and fare adjustment in May 2001, Taihai's turnover and net profit improved significantly in the first half of this year.

- Shanghai Lian Ji Synthetic Fibre Co., Ltd. ("Lian Ji") had declared its 2000 final dividend in May 2001, of which the Company was entitled to approximately US$362,000. Lian Ji has obtained government's approval in June for its feasibility study of third phase expansion for synthetic fibre products, such official sanction cleared the path to begin the third phase construction. The expected increase in production capacity is crucial to provide Lian Ji with economies of scale and thus a more competitive edge in the market.

- In February 2001, China Genetic Engineering Co., Ltd., a wholly-owned subsidiary of a Hong Kong listed company, acquired a 57% equity stake in Shanghai Hua Xin High Biotechnology Co., Ltd. ("Hua Xin"). Capital structure of Hua Xin was therefore strengthened with expected changes in business opportunities.

- In spite of a wider market recognition of Shanghai Well Bright Food Co., Ltd.'s frozen prepared food with increasing turnover, its net assets suffered a diminution in value because of its loss on capital investment. Therefore, the Board has considered an additional provision for impairment in value of US$200,000 in this particular investment.

In terms of shareholding transfer and exit strategies for certain unlisted investments, the Company had achieved the following results:

- Pursuant to a ruling by the Shanghai Arbitration Tribunal in April 2001, the Company would and has priority to receive its investment in Shanghai Asia Pacific Club plus accrued interest covering the entire investment period until the joint venture is officially liquidated.

- Following the disposal of the Company's beneficial interests in Zhejiang Matsuoka Printing Co., Ltd. last year, the balance payment of US$430,000 was received in July.

- In view of GSMC International Ltd.'s ("GSMCI") inability to raise a minimum fund within the specified time to meet its capital requirement as stipulated, the Company decided to exercise its right in accordance with the subscription agreement by lodging a formal request to GSMCI for a refund of its US$0.5 million initial investment plus accrued interest for the period covered. Details of implementing the capital refund are still underway.

- Pursuant to the promulgation of a decree by the State Council to prohibit guaranteed and fixed return to investments by any Chinese partner to its foreign counterpart, the Company's entitlement to its guaranteed fixed return in Zhejiang Qianqing Heat and Power Co., Ltd. for the financial years of 1999 and 2000 had not been received. The Company immediately engaged in negotiations with the Chinese party as well as relevant government authorities in hope of finding a way to collect those outstanding dividends and exit from the investment thereafter.

The Company has committed to a new investment of US$2 million in March 2001, of which US$1,274,250 had been invested in Semiconductor Manufacturing International Corporation ("SMIC"), a company incorporated in the Cayman Islands. SMIC's investee company, Semiconductor Manufacturing International (Shanghai) Corporation, located in Shanghai's Zhangjiang High-Tech Park, is in manufacturing semiconductor chip business. It is believed that this company will benefit from the rapid development of the chip industry in China in the medium term on the one hand, and favorable policies from the government to encourage establishment of high-tech industries on the other.

LISTED SECURITIES

The Hong Kong stock market rally that started in early last December continued through January this year. Investors pushed up stock prices on expectations that the Fed would continue to cut interest rates. Both technology stocks and traditional stocks rallied in the period as the Nasdaq Composite Index also rebounded. H shares failed to participate in the rally in January as investors focused on interest rate sensitive stocks.

In early February, profit warnings triggered a series of profit-taking in both traditional stocks and technology stocks in the US. Hong Kong's technology stocks fell with their US counterparts but most traditional stocks continued to hold up well before HSBC announced lower-than-expected results on 27 February.

With the exception of H shares, most of the Hong Kong stocks collapsed in March. Property counters also fell from their February high as investors became less optimistic on the outlook of Hong Kong's property market. Bargain hunting in technology stocks triggered a remarkable rebound in the Nasdaq Composite Index in early April. As a result, the Hong Kong market staged a strong rally in April that lasted until early June. Profit-taking started to hit the US market in early June as investors worried that corporate earnings are unlikely to turnaround in the remainder of the year. The Hong Kong market succumbed to selling pressure and plunged in June.

The Hang Seng China Enterprise Index and the Hang Seng China Affiliated Corporation Index was up 42.3% and 11.9% respectively in the first half due to a series of positive developments. China's stronger-than-expected first quarter GDP growth of 8.1% was able to impress foreign institutional investors to increase their weighting in China. China's B share markets skyrocketed in the period after its opening for participation by local investors. The Shanghai B share Index and the Shenzhen B share Index were up 142.7% and 168.3% respectively in the period.

The Company's listed investments performed well in January and February. The rally in the property sector in the first two months of 2001 contributed to the good performance of the portfolio in the period. The plunge in the US market in March triggered a sharp fall in the Company's listed investments, particularly in the property sector. As a result, the level of cash was increased in late March, and a defensive stance was maintained until mid-April. The weighting in blue chips and China related stocks was increased in mid-April as the US market continued to rebound. Since the outlook of China related stocks had become more attractive in May, the weighting in China related stocks were again increased, whereas the weighting in blue chips was reduced. The performance of the Company's listed investments was spectacular in May mainly due to the rise of mid-cap China related stocks. Profit taking on China related shares coupled with the correction in blue chips affected the performance of our listed investments in June. By the end of June 2001, Shanghai Growth's listed portfolio registered a 6.3% loss in the first half, compared with a 13.6% loss in the HSI. The exposure in China related shares coupled with the underweight position in the banking sector were the two main reasons behind the outperformance of the Company's listed investments over the HSI.