UNLISTED INVESTMENTS

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As at 31st December, 2001

Investment projects	Nature of business	% of equity interest	Amount committed US$	Amount invested at cost US$	Value of investment at 31.12.2001 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
Shanghai Lian Ji Synthetic Fibre Co., Ltd.	Chemical Fibres	15	6,275,000	6,275,000	6,275,000	10.32	362,401	775,563
Suzhou Taihai Automobile Ferry Wharf Co., Ltd.	Automobile Ferries	34	2,661,440	2,661,440	2,661,440	4.38	264,200	717,933
Concord Greater China Limited	Hyper Markets	14.45	8,700,000	8,700,000	11,400,000	18.75	6,075,000	6,075,000
Shanghai Well Bright Food Co., Ltd.	Frozen Prepared Food	30	3,960,000	3,960,000	3,140,000	5.16	—	—
Everflow Capital Limited	Property Investment	19	2,185,000	2,185,000	2,185,000	3.59	—	—
Zhejiang Huguang Heat & Power Co., Ltd. (formerly known as Zhejiang Qianqing Heat & Power Co., Ltd.)	Power Supply	25	2,980,000	2,980,000	993,333	1.63	—	2,058,910
Shanghai Hua Xin High Biotechnology Inc.	Pharmaceuticals	20	1,924,000	1,924,000	841,600	1.39	—	—
Shanghai Asia-Pacific Club Co., Ltd.	Business Club	20	1,620,000	1,620,000	1,620,000	2.67	—	—
Semiconductor Manufacturing International Corporation	Semiconductors	0.603	6,000,000	4,524,251	4,524,251	7.44	—	—
Harbin Brewery Group Limited	Brewery	N/A	1,794,941	1,794,941	1,794,941	2.95	—	—
Shanghai Hua Yin Warehouse Co., Ltd.	Warehousing	34.9	1,047,000	1,047,000	—	—	—	—
Shanghai Xinpu Transportation Co., Ltd.	Land Transportation	34.9	698,000	698,000	—	—	—	—
Shanghai Shenergy Jinhua Industrial Co., Ltd.	Cement Production	25	2,935,719	2,935,719	—	—	—	283,584
			42,781,100	41,305,351	35,435,565	58.28	6,701,601	9,910,990

Note: Investment in Italpro Investment & Development Inc. was written off in the year 2001.

UNLISTED INVESTMENTS *(Cont'd)*

SUMMARY OF UNLISTED INVESTMENTS

During the year under review, Shanghai Growth's unlisted investment portfolio comprised of 10 investments, excluding 3 that have been fully provided for, with a total fair value of US$35,435,565 by the end of 2001.

The Japanese and U.S. economic downturn triggered a global economic decline, which was exacerbated by the impact of the 9.11 tragedy in New York City. Against such backdrop of negative sentiment, China's fast economic growth is also faced with its due share of challenge as investments in network/internet and communication sectors rapidly reduced. During the year, Shanghai Growth maintained prudence in selecting new direct investment projects. Out of close to a hundred new proposals screened and appraised during the year, and after careful assessment and due diligence conducted, Shanghai Growth invested in two new projects: Semiconductor Manufacturing International Corporation ("SMIC") and Harbin Brewery Group Limited ("HBGL"), with investment amounts of US$6 million and HK$14 million respectively.

After China's accession to the WTO and improvement of the general investment environment, Shanghai Growth's unlisted investment portfolio improved as a whole. The Investment Manager continued to strengthen its monitoring and maintenance of invested projects by active participation in project management and specific measures towards individual investment. These strategies were met with positive feedback and resulted in achieving good dividend return during the year. Hua Xin began to see light at the end of the tunnel pursuant to a corporate restructuring. As for Zhejiang Huguang (formerly known as Zhejiang Qianqing), dispute over delinquent dividend distribution in fixed return was partially resolved, with the Chinese partner agreeing to and effected distribution of one of the two years' delinquent dividend distribution in RMB equivalent. Everflow Capital greatly minimized its loss as a result of higher occupancy rate and reduced finance cost. More than 56% of the invested capital in Everflow Capital was returned to Shanghai Growth in the second half of the year. Liquidation process of Asia Pacific Club was almost completed attributable to concerted effort by all investors. Shanghai Growth will recover its US$1.62 million investment plus accrued interest commencing from inception to completion of liquidation.

The Company is optimistic that results of Shanghai Growth will continue to improve as a result of the Investment Manager's active monitoring approach towards invested projects on the one hand, and more careful selection of projects for new investments on the other.

UNLISTED INVESTMENTS *(Cont'd)*

UNLISTED PROJECTS

1. Shanghai Lian Ji Synthetic Fibre Co., Ltd. ("Lian Ji")

Situated in the Pudong area of Shanghai Municipality, Lian Ji has been in the manufacturing of chemical fibre materials for the textile and chemical industries since 1994. In July 1995, Shanghai Growth invested US$6,275,000 in Lian Ji in exchange for a 15% equity interest in the company.

The global recession in 2001 resulted in a decline in the export of textile products and therefore affected the demand for synthetic and short fibre products. Prices were significantly lowered and Lian Ji's turnover for the year was RMB649.94 million, which was 24.85% lower than in year 2000. Still, a net profit of RMB15.67 million was recorded. The full year production capacity for synthetic fibre and short fibre reached 66,366 tonnes and 34,771 tonnes respectively whilst sales reached 66,952 tons and 37,228 tonnes. The sales-to-production ratios of both products exceeded 100%.

Lian Ji repaid the US$2.56 million remaining balance of its loan principal in late June 2001, after which it no longer has any long-term liabilities. In July, the company conducted its bi-annual overhaul for maintenance and replacement of durable parts. After repair and maintenance, equipment's efficiency resumed and Lian Ji's production stabilized. Moreover, the State Planning Council had approved the third phase expansion program for synthetic fibre production. Construction work which normally would have begun after the approval did not take place due to ongoing negotiation among shareholders on how to reconcile the enlarged share capital was still under way.

Lian Ji held its Board of Directors meeting on 16th May and resolved to declare a dividend for year 2000. Shanghai Growth received US$362,401 at the end of September.

2. Suzhou Taihai Automobile Ferry Wharf Co., Ltd. ("Taihai Ferry")

Taihai Ferry was established in May 1995 to construct and operate a pier and ancillary transportation services between Taicang City and Haimeng City, Jiangsu Province for 25 years. Shanghai Growth invested US$2,661,440 for a 34% equity stake in the company.

Taihai Ferry's management reported good operating results for year 2001. Benefiting from an efficient road system on both the northern and southern banks of the Yangtze River with increased trade activities, Taihai Ferry's operating revenue exceeded the management's forecasts. Moreover, full fare for ferry transport had been upwardly adjusted from 10th May and contributed to Taihai Ferry's operating results. A turnover of RMB35.66 million was recorded for the year under review, up 34.41% from last year. A net profit of RMB11.44 million was realised, representing a 100% increase from year 2000.

UNLISTED INVESTMENTS *(Cont'd)*

Beginning October 15, 2001, Haimeng City set up toll booths to collect toll from through traffic. This measure had a negative impact on vehicular flow to Taihai Ferry, as some of its clients diverted to alternative vehicular transport stations to save costs. In view of that occurrence, the management decided to halt its plan to acquire an extra ferry, and factor the above effect in its operations forecast for 2002.

The capital reduction exercise was temporarily suspended after the Chinese shareholder raised qualm on the resultant capital structure after the capital reduction. To ensure it will receive its share of refund upon completion of the exercise from capital previously contributed, Shanghai Growth demanded and received part of its excess capital contribution in RMB equivalent, which was deposited in a temporary and interest-bearing trust account. As a result, the impairment loss of US$720,000 previously recognised was reversed in this year. Furthermore, Shanghai Growth received US$264,200 dividend for year 2000 during the first quarter of 2001.

3. Concord Greater China ("CGC")

In September 1998, Shanghai Growth entered into a contract with Concord Champion Ltd. ("CCL") to invest US$8.7 million for 22.48% of its equity interest. CCL is an investment holding company incorporated in the British Virgin Islands whose principal business is to invest and develop hypermarkets in the PRC. In December 2000, CCL went through a restructuring exercise. A holding company called Concord Greater China ("CGC") was incorporated to become CCL's parent company, and Shanghai Growth's equity interest in CCL was correspondingly transferred to shares in CGC. In February 2001, CGC entered into joint ventures with Auchan SA to establish Sun Holdings Greater China Limited ("Sun Holdings") to develop hypermarket business in China. Pursuant to the restructuring plan, CGC announced a dividend distribution of US$27 million in February this year, and Shanghai Growth received its entitlement of US$6,075,000 in March.

Business in RT-Mart Shanghai stores continues to grow with the opening of Yangzhou, Kunshan and Wuxi stores in Jiangsu Province during the year. At present, RT-Mart Shanghai owns and operates 10 stores, which greatly strengthens its operational capacities. A turnover of US$305.80 million was recorded in 2001, up 84.23% year-on-year. As the company embarks on a rapid expansion mode, net profit for the year was US$0.902 million compared with a reported loss in 2000.

RT-Mart Limited Jinan commenced operations in 2000 and currently owns three stores in Li Cheng, Li Xia and Shanshui of Shangdong Province. It recorded a turnover of US$64.627 million for the whole year, which was 685% higher than year 2000. A net loss of US$1.383 million was recorded, slightly less than that of 2000. However, the management expects RT-Mart Limited Jinan to be in the black in 2002 assuming the current operating environment persists.

UNLISTED INVESTMENTS *(Cont'd)*

To position for further expansion in China, CGC resolved in August to enlarge its share capital through a plan of successive capital injections at a subscription price of US$1.50 per share. Since Shanghai Growth's investment in CGC was already quite substantial relative to its net asset value, it did not participate in the capital increases. Its shareholding in CGC was diluted to 14.45% as at the end of the year. As a result of the capital restructuring in late 2000 and potential growth with further capital increase this year, the directors had considered a fair valuation of the Company's investment in CGC at US$11.40 million at end of December 2001, as compared to its investment cost of US$8.7 million.

4. Shanghai Well Bright Foods Co., Ltd. ("Well Bright")

Well Bright is engaged in the production and distribution of frozen prepared food. In March 1996, Shanghai Growth invested US$3,960,000 for a 30% equity interest in Well Bright. The remaining 70% equity was beneficially owned by Warm Brightly Limited, an investment vehicle of a Taiwan investor. As at 31st December 2001, the fair value of Well Bright was stated at US$3,140,000, including an additional US$200,000 impairment loss made in 2001.

The company achieved a turnover of RMB172.54 million in 2001, up 34.29% from last year. A net profit of RMB3.522 million was recorded during the year, compared with a net profit of RMB1.17 million last year.

After several years of operations, Well Bright has successfully built its brand name and recognition in the market. The company also develops international markets in addition to strengthening its position inside China. It launched sales operations in Japan, Saudi Arabia, and New Zealand for test marketing. In order to increase market share and improve operational results, Well Bright's management expressed that it would develop new products and improve quality of existing products, based on its current facilities.

5. Everflow Capital Limited ("Everflow Capital")

Everflow Capital is an investment holding company incorporated in the British Virgin Islands. Through its 100% subsidiary Samson Assets, the company has an indirect 100% ownership in An Hsin Development Co., Ltd. ("An Hsin") whose primary objective is to develop deluxe offices in the Shanghai area. In March 1995, An Hsin began construction of Aetna Tower, a prime commercial office building located near the Hongqiao Development Zone. Shanghai Growth participated in this development by investing US$5,035,000 for a 19% equity interest in Everflow Capital.

UNLISTED INVESTMENTS *(Cont'd)*

As a result of booming real estate market in Shanghai and increasing demands for both commercial and residential properties, Aetna Tower's occupancy rate reached 94.11% in December, up about 9% from the corresponding period in 2000. Lower interest rates also helped to reduce the finance charges of the company. A net profit of US$0.931 million was achieved at the group level.

As the registered share capital of Everflow Capital was reduced from US$26.5 million to US$11.5 million, Shanghai Growth received US$2.85 million according to its 19% equity stake in September 2001 as return of its capital.

6. Zhejiang Huguang Heat and Power Co., Ltd. ("Zhejiang Huguang"), formerly known as Zhejiang Qianqing Heat and Power Co., Ltd.

Zhejiang Huguang provides thermal power and electricity to industrial users in Shaoxing City, Zhejiang Province. In June 1994, Shanghai Growth invested US$2,980,000 for a 25% equity stake in the company. According to the contract, Shanghai Growth is entitled to a fixed annual return of US$596,000 inclusive of principal over the 11 years of co-operation period. By nature of the contract, investment cost on this project would be amortised over the co-operation period, therefore, the un-amortised amount of the investment by the end of December 2001 was US$993,333.

Zhejiang Huguang's operation remained steady in 2001. It recorded a turnover of RMB97.03 million, representing a 9.44% year-on-year growth. A net profit of RMB7.38 million was recorded, up 10.48% from last year. The company's electricity supply was 112.19 million units, similar to that of year 2000; whilst its thermal power supply was increased significantly to 768,569 tons, which was 34.6% higher than the previous year.

Zhejiang Huguang did not pay Shanghai Growth its guaranteed fixed return for 1999 and 2000. It cited a decree promulgated by the State Council, which decree prohibits Chinese shareholders in any sino-foreign joint ventures to guarantee fixed return to their foreign counterparts, albeit the decree was promulgated after Shanghai Growth's investment was made in Zhejiang Huguang. Those fixed returns, up to 2000, have already been recognised as receivable in Shanghai Growth's books. After much efforts and negotiations, Zhejiang Huguang agreed and remitted the fixed return of 1999 in RMB equivalent to Shanghai Growth. That amount was deposited into a temporary and interest bearing trust account. For payment of the remaining years, Shanghai Growth is in negotiation with the Foreign Exchange Control Authority in hope of securing permission for the balance payment to be converted and paid in U.S. dollars and put the issue to rest. If necessary, the shareholders would consider making appropriate amendments to the original terms and conditions of the contract.

UNLISTED INVESTMENTS *(Cont'd)*

7. Shanghai Hua Xin High Biotechnology Inc. ("Hua Xin")

Hua Xin was founded in 1993 by a member of the Chinese Academy of Science. The company specializes in the production and development of various anti-cancer drugs. In December 1995, Shanghai Growth invested US$2,405,000 to acquire a 25% equity in the venture. In February 2000, Shanghai Growth sold 5% of its equity for US$266,100. The fair value of this investment was US$841,600 as at 31st December 2001, taking into account of a US$1,082,400 impairment loss recognised in previous years.

At the beginning of 2001, Hua Xin had a capital restructuring. The major shareholder Shanghai De Chang Co. Ltd. sold its entire 57% beneficial interest to China Genetic Co. Ltd., a wholly-owned subsidiary of Hong Kong Pharmaceutical Holdings Limited, a company listed on the Stock Exchange. The acquisition was approved by the Foreign Investment Authority of the Shanghai Municipality in February the same year. The restructuring was believed to provide Hua Xin with access to new funding opportunities.

Hua Xin's operation was still plagued with uncertainties and difficulties. Turnover continued to shrink during the year and registered a turnover of RMB8.042 million, which was similar to year 2000. After taking into account of capitalised expenses and bad debt provisions for previous years, a net loss of RMB18.038 million was reported. Under the prevailing situation, it would be difficult to envisage a turn-around by the company in the short term. The company's focus is to increase sales, expand market share and come up with new products. Hua Xin's management expressed hope to launch 3 new products in the first half of 2002.

8. Shanghai Asia-Pacific Club Co., Ltd. ("Asia-Pacific Club")

Asia-Pacific Club was intended to be a membership-based club targeted at the expatriate business communities in Shanghai. It is a Sino-Japanese joint venture between Asia-Pacific Business Link Ltd. ("APBL") and Shanghai Greenland General Co. Ltd. In 1994 Shanghai Growth invested US$1,620,000 for a 20% equity interest in the venture.

The project had been unduly delayed due to APBL's inability to raise sufficient capital. In view of the changing investment climate in such projects and APBL's default to come up with its share of required capital, Shanghai Growth advocated to terminate the project and liquidate the company.

UNLISTED INVESTMENTS *(Cont'd)*

The case was brought to arbitration, during which process all three shareholders reached agreement to wind up Asia-Pacific Club on April 17, 2001. A liquidation committee (the "Committee") was set up to implement the liquidation procedures. The Committee had completed the requisite liquidation procedures of the joint venture in February 2002. The process was, however, temporarily suspended due to an unforeseen tax issue on the interest accrued from the principal of the investment. Shanghai Growth has repeatedly urged the Committee to resolve the issue and speed up the liquidation.

Upon completion of the liquidation process, Shanghai Growth has priority to receive its investment of US$1.62 million plus accrued interest covering the entire investment period after payment of outstanding debts by Asia-Pacific Club.

INVESTMENT WITHDRAWN

GSMC International Limited ("GSMCI")

GSMCI is a company incorporated in the Cayman Islands in August 2000. It in turn has a 100% beneficial interest in Global Semiconductor Manufacturing Corporation Ltd. ("GSMC") situated in Guangdong Province, China. GSMC's principal business is in the packaging and testing of signal transistors, power transistors and discrete IC devices. In December 2000 Shanghai Growth reached an agreement with GSMCI and committed US$1 million in the first phase of its capital injection plan. US$500,000 was invested in the same month.

According to the share subscription agreement, which provides that in the event GSMCI could not raise a minimum of US$20 million within three months after signing of the agreement, GSMCI must, upon request by Shanghai Growth, return the investment made by Shanghai Growth plus accrued interest. During the shareholders' meeting in March 2001, GSMCI confirmed it was able to raise only US$12.05 million as of that date, resulting in a shortfall from the minimum fund it undertook. After evaluating the effect from insufficient working capital would exert on GSMCI, Shanghai Growth decided to exercise its rights by lodging a formal request to GSMCI for the refund of US$500,000 plus interest accrued from the initial date of investment. After repeated reminders, a repurchase agreement was signed by the chairman of GSMCI affirming his commitment to pay Shanghai Growth approximately US$552,000 in instalments by the end of September 2002.

UNLISTED INVESTMENTS *(Cont'd)*

NEW INVESTMENTS

1. Semiconductor Manufacturing International Corporation ("SMIC")

In September 2001, Shanghai Growth committed US$6 million to subscribe for shares in SMIC, equating to approximately 0.603% of the total committed capital raised by SMIC. SMIC is a holding company incorporated in the Cayman Islands. It is a single purpose company by having 100% investment in Semiconductor Manufacturing International (Shanghai) Corporation ("SMIC Shanghai"). The principal business activity of SMIC Shanghai is in the manufacturing of semiconductor chips, which includes wafer fab, process technology, IC design service, etc. Its product range includes various types of RAM and high-voltage IC semiconductors. The management team is headed by Dr. Richard R. Chang, a veteran in building wafer fab factories and former president of World Semiconductor Manufacturing Corporation in Taiwan, with experienced engineers from Texas Instruments and other global semiconductor companies.

The development of semiconductor industry is a strategic policy of China. The PRC's Ninth 5-year State Plans stated her intention to develop the technology sector to boost overall economic growth. In June 2000, the State Council published its policy to encourage development of software and IC industries. Echoing that policy, the Shanghai Municipal government in November 2000 outlined a list of favourable incentives to encourage the establishment of semiconductor and related industries in Shanghai. Subsequent influx of investments in that industry attests to positive response to those attractive terms and conditions extended.

As at the end of September 2001, SMIC has raised US$1 billion and completed its first round funding. SMIC Shanghai's trial production was a success and produced its first batch of 0.25-micron chips. The company received orders from customers in Japan and the U.S., and mass production was scheduled for the first quarter of 2002.

The semiconductor industry, as in other cases, is cyclical in nature. Despite the low demand in the past years, all research points to the next cycle of chips demand will come in the next few years. To prepare for the next cycle, capital expenditure in equipment and new facilities ramp up will have to be planned ahead on the one hand, and a relatively long learning curve to staff and train qualified personnel on the other. SMIC is envisaged to lead the semiconductor industry boom by having a head start among its peers in China.

UNLISTED INVESTMENTS *(Cont'd)*

2. Harbin Brewery Group Limited ("HBGL")

Harbin Brewery Group Limited is an investment holding company registered in the Cayman Islands. Its underlying assets comprise of beneficial interests in 8 breweries in China with combined annual production capacity exceeding 1 million tons and ranked 5th in the country. HBGL began with Harbin Brewery, which was founded at the beginning of the twentieth century with recognised name brand and respectable track record in the business. It is said to be the oldest brewery founded by a foreigner in China.

Since the mid to late 1990s, HBGL has developed into a well-known brewery group in China through mergers, acquisitions and restructuring. Since all branded brewers have their respective market foothold in China, HBGL has positioned itself and won market dominance in the northeastern provinces of Heilongjiang, Jilin, and Liaoning. Its products have received rave reviews and won many prizes in nationwide competitions. HBGL hopes to maintain and expand its market share by fortifying its well-developed sales network built throughout major cities in China, and other countries including Singapore, Hong Kong, Macau and Korea.

In consideration of HBGL's growth potential, and that it has already submitted its application for listing on The Stock Exchange of Hong Kong, Shanghai Growth subscribed for a HK$14 million convertible bond ("CB") issued by HBGL on 29th October, 2001. The CB carries a 5% coupon rate maturing in 12 months from the date of the agreement. It also allows Shanghai Growth the flexibility either to convert into ordinary shares at IPO price when HBGL obtains its approval for listing, or to redeem the CB in full plus the coupon rate.