2006

Interim Report

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 770)

INVESTMENT MANAGER

SHANGHAI INTERNATIONAL ASSET MANAGEMENT (H.K.) CO., LTD.

Contents

CORPORATE INFORMATION

Directors
Executive Directors:
Mr. Wu, Choi Sun William
Dr. Xue, Wanxiang

Independent Non-Executive Directors:
Mr. Ong, Ka Thai
Mr. Yick, Wing Fat Simon
Dr. Hua, Min

Other Non-Executive Directors:
Mr. Cai, Nongrui
Mr. Chen, Chi-chuan
Mr. Chiu, Tak-chiang
(also known as Yau, Tak-chiang)
Mr. Hu, Jinggang
Mr. Lee, Tien-chieh
Mr. Tseng, Ta-mon
Dr. Wang, Changhong
Mr. Zhou, Youdao

Company Secretary
Mr. Liang, Kwan Wah Andrew

Investment Manager
Shanghai International Asset
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Legal Advisers
In Hong Kong:
Charltons Solicitors & Notary Public

In the Cayman Islands:
Maples and Calder

Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants

Custodian
State Street Bank and Trust Company

Share Registrars
Secretaries Limited
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Stock Code
770

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present the unaudited interim results of the Company for the six months ended June 30, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company recorded a net profit of US$583,888 for the six months ended June 30, 2006 (2005: US$4,777,914), representing a decrease of 87.8% over the corresponding period in 2005. The drop in income was mainly attributable to lack of realized gains and dividend income derived from unlisted investments as was in 2005. The Company has exhausted much effort in the past two years to identify exit alternatives for non-performing unlisted investments. Save for one active unlisted investment remaining at end of the period under review, the Company was able to divest most of the targeted exits. As for investments in listed securities, during the period the Company received US$114,979 in dividend income (2005: US$107,779) and US$765,984 (2005: US$55,876) in realized gains on disposal of listed securities.

As at June 30, 2006, the Company's net asset value ("NAV") per share was US$2.92 subsequent to its US$1.20 per share distribution in May as special dividends for the previous financial year, up 2.23% compared to that at the end of 2005 on an ex-dividend basis. At the end of the period under review, the Company's share price was US$2.725 (December 31, 2005: US$3.925), reflecting a discount to NAV per share of 6.7%, which has remained unchanged since before dividend payment for 2005.

Investment Review

Unlisted Investments Portfolio

At the end of June 30, 2006, there is only one active investment remaining in the Company's unlisted investments portfolio, namely Shanghai Well Bright Foods Co., Ltd., at a fair value of US$3,960,000.

During the six months under review, the Company continued to make progress in exiting from its portfolio investments:

- Sale of the Company's 25% equity interest in Zhejiang Huguang Heat and Power Co., Ltd. was completed on March 20, 2006 upon receipt of official approval from the Foreign Trade and Economic Cooperation Bureau in Shao Xing on the relevant share transfer.

- The Company recovered all of its US$500,000 invested capital in GSMC International Limited at the end of March 2006 since its exit in 2002. The long process of recovery was compensated by the 8% per annum interest payment aggregating a net gain of US$129,490.

- Three fully impaired unlisted investments, namely Shanghai Lian Ji Synthetic Fiber Co. Ltd., Shanghai Hua Xin High Biotechnology Inc. and Shanghai Xinpu Transport Co., Ltd., were either in the process of liquidation or finding an exit.

Current Invested Portfolio

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

Well Bright cleared its inventory of unsold mutton by the end of June to prepare for the new slaughtering season. With mutton being one of the top revenue generators amongst its product mix Well Bright is confident that this year's mutton sales would surpass that of the previous year. Well Bright anticipates mutton products to account for an increasing proportion of its total sales in the next few years.

Sales of beef products remained flat as prices of raw pork declined, and the Chinese consumers are drawn to buy more pork with lower prices than beef. Poultry sales continued to fail to improve despite the absence of negative reporting on bird flu in China. Even promotions on new offerings by major customers like KFC and Pizza Hut contributed little to growth in Well Bright's sales as most of those promotions are seasonal in nature. Burdened with fixed overheads and decreased sales, Well Bright tried to increase profit by negotiating with supermarkets, its major distribution channel, to lower fixed retail prices. New products are still under development and will not be ready for launch until the third and the fourth quarter. During the first half of 2006, Well Bright recorded an unaudited operating loss of RMB2,125,905.

The Company has held numerous discussions with the other shareholder over its management and mode of operation of Well Bright. It even instituted arbitration against the other shareholder's alleged breach of contract when talks failed, but to no avail. The Company's board of directors has authorized the incorporation of an offshore single purpose company to transfer the Company's entire beneficial interest in Well Bright to that offshore company. An official approval was given on August 14, 2006 from relevant government authority for such transfer. The structure will facilitate the share sale of Well Bright's interests to a bona fide purchaser once identified. As the Company perceives its interests in Well Bright is not likely to be realized or investment cost recaptured without the full cooperation of the other shareholder, which so far has not been forthcoming, the Company is determined to exit from this investment.

Listed Investments Portfolio – Non-tradable

Semiconductor Manufacturing International Corporation ("SMIC")

The Company invested approximately US$6 million in SMIC's unlisted shares since 2001 and the investment was converted into 54 million ordinary shares upon SMIC's listing in March 2004. As of June 30, 2006, 28.7 million shares in SMIC were held by the Company, of which 9.8 million shares were still subject to lock-up restriction, with portion released bi-annually to become freely tradable. As of June 30, 2006, the Company registered a cumulative net gain of approximately US$4.3 million or 72.05% in respect of partial sale and continuous holding of this investment.

SMIC and SAIFUN Semiconductors Ltd., a provider of intellectual property solutions for the non-volatile memory (NVM) market, jointly announced that SMIC will use the SAIFUN NROM(r) technology to develop and manufacture flash memory cards. The said technology can double the storage capacity of a basic memory cell, and has a cell architecture that requires fewer manufacturing steps, thereby reducing manufacturing costs.

Infineon Technologies Holding B.V. entered into an agreement with SMIC to produce standard memory chips (DRAMs) in 90 nanometer (nm). Under the new agreement, Infineon will transfer its leading 90nm DRAM trench technology and 300-mm production know-how to SMIC.

Hangzhou Guoxin Science & Technology Co., Ltd.'s award-winning GX1101 chip is believed to be the first domestically designed satellite broadcast receiver chip. It was manufactured using SMIC's 0.18μm mixed signal process technology. Separately, SMIC and Sicomm RF Technology, Inc. ("Sicomm"), a Hangzhou company in RF systems and radio frequency and mixed-signal chips design, jointly announced that Sicomms SRT3500 chip, a walkie-talkie RF transmitter/receiver chip, has successfully entered into commercial production. The SRT3500 chip will be manufactured using SMIC's 0.18μm RF process technology.

SMIC and US based Aurora Systems, Inc., a leader in liquid-crystal-on-silicon (LCOS) technologies for the high definition television (HDTV) industry, announced that Aurora's digital LCOS panel chips have successfully entered into volume commercial production at SMIC. Several leading consumer electronics manufacturers have already employed these LCOS panel chips in the production of high-resolution, large-screen HDTVs. Cadence Design Systems, Inc. and SMIC also announced joint development in an analog mixed-signal (AMS) reference flow to address the needs of designers to develop ICs for the consumer, networking and wireless markets. This solution will help to facilitate analog mixed-signal design for these growing markets.

SMIC announced the construction of its first 12-inch fab in Wuhan, Hubei Province. The facility will be financed by an investment company associated with the Hubei provincial government, Wuhan City government and Wuhan East Lake New Technology Development Zone. Wuhan Xinxin Semiconductor Manufacturing Corporation will own the facility and has engaged SMIC to manage the facility. Construction of the fab is scheduled to be completed by the end of 2007, and commercial production is scheduled to start in the first half of 2008. Initial monthly capacity of this new 12-inch wafer fab is estimated to be 12,500, and will increase progressively up to 20,000 – 25,000 per month by 2009.

SMIC's wholly-owned subsidiary, Semiconductor Manufacturing International (Tianjin) Corporation, has entered into a US$300 million 5-year syndicated loan with a group of banks domiciled inside China. The loan will help finance expansion of SMIC's 200-mm fab capacity in Tianjin. Another wholly-owned subsidiary, Semiconductor Manufacturing International (Shanghai) Corporation, has also successfully closed a 5-year US$600 million syndicated secured term loan.

SMIC's 2005 annual report revealed that total turnover for 2005 topped US$1.1 billion, up 20.2% from 2004. At the end of 2005, SMIC had increased its 8-inch wafer monthly capacity to 152,219 equivalents and accounts for approximately 6% of global foundry production. SMIC plans to increase its 8-inch wafer monthly capacity to more than 185,000 equivalents by the end of 2006. During the year, SMIC also added 93 new customers, bringing the total number of customers to 254. Its customer mix includes those in the consumer, communications and computer market segments. Geographically, about 8% of SMIC's revenue came from China.

Listed Investments Portfolio – Tradable

Recent reports on retail sales and consumer sentiments attest to the slowing of the US economy from a 5.6% growth in the first quarter to about half of that in the second. High commodity and energy prices and rising labor costs hampered business spending. The property market is also slowing from the decreased number of transactions and resultant build up of inventories. Inflation has become the prime concern for the Federal Reserve. During the period, treasury market suffered from heavy sell-off and hot money took their refuge in gold and other commodities. The US dollar strengthened against the Japanese Yen but was significantly weakened against the Euro in the first half of 2006.

China's GDP in the second quarter accelerated to 11.3%, representing a 10.9% growth for the first six months, the strongest in a decade. Overall fixed asset investments ("FAI") surged 29.8% year-on-year, with exports being the main driver. China posted record-breaking trade figures in June of 23.3% year-on-year increase in exports and 18.9% year-on-year increase in imports, resulting in a trade surplus of US$14.5 billion, a new monthly high outpacing that of May's US$13 billion. China's foreign reserve stood at US$941 billion by the end of June, exerting greater pressure on the RMB to appreciate further.

As FAI is reaccelerating, thereby exerting intense pressure on resource utilization, the Chinese government is unlikely to relax its current macro control policy to rein in loan growth and cool excessive investment. On April 26, the People's Bank of China ("PBoC") raised the lending rate by 27 bp. PBoC also increased the required reserve ratio on June 16 by 50 bp to 8%, effective July 5. Both measures are viewed as PBoC's effort to tighten money supply by imposing more stringent domestic credit. In addition, the Chinese government announced a series of tightening measures aimed at the torrid property market, with the objective to improve housing supply structure and stabilize housing prices. Credit lending, taxation, land leasing and administrative actions are the means to achieve these objectives.

On the domestic front, investors resumed their IPO euphoria in 2006. In March, Golden Eagle Retail Group, China National Building Material and Hunan Nonferrous Metals were oversubscribed by more than 200 times and rose 13%, 20% and 72% respectively on their debuts. The mega HK$87 billion (approximately US$11.2 billion) IPO of Bank of China in May was warmly received by investors and its retail allocation was 69 times oversubscribed. Bank of China's share price surged 17.8% on debut despite concurrent market turmoil.

During the first six months of 2006, about HK$195.6 billion was raised via IPO with an average daily trading volume of HK$32.4 billion. Considering the increasing influence of China companies listed in Hong Kong, the Hang Seng Index Services Corporation has announced a revision in the Hang Seng Index ("HSI"). Under the new regime, compilation of the HSI will be switched from a full market capitalization weighted formula to a free float adjusted market capitalization weighted formula with a 15% cap on individual stock weightings. China Construction Bank has become the 34th constituent stock. Major fully circulated H-shares will have the opportunity to become constituent stocks in the future. The objective of these changes is to allow the HSI to remain sufficiently broad-based to represent the Hong Kong equity market.

Hong Kong's key market indices, namely the HSI and Hang Seng China Enterprises Index ("HSCEI") surged 9.35% and 27.3% respectively in the first six months. However, global financial markets experienced high fluctuation in May as a result of strong statements on inflation and interest rates issued by the new Fed Chairman Ben Bernake. The ripple effect sparked off a mini stock market crash in emerging markets, with HSI and HSCEI sliding 11.1% and 20% from their respective highs. China financial stocks and commodity stocks were the major winners while interest rate sensitive stocks took a blow.

The Company re-balanced its portfolio with some profit taking. Accordingly its portfolio recorded a 3% gain during the first six months, only dimmed by lack luster performance of technology stocks. Since the overall market direction will be dictated by fund flows, rising interest rates and surging oil prices, as long as these elements remain uncertain and contingent, they will continue to weigh on the local market. The Company will remain vigilant in watching market movements and study all relevant indicators in the second half.

Investment Property

The Company purchased a property in Shanghai for investment purpose since 1994. It is located at the Rose Garden, Xuhui District. The carrying value of this property was US$680,000 as of June 30, 2006, with a valuation surplus of US$40,000 compared with that at the end of December 2005.

Liquidity, Financial Resources, Gearing and Capital Commitment

Subsequent to a distribution of special dividend in May 2006, the Company's bank balances as of June 30, 2006 were US$9,981,858 (December 31, 2005: US$19,733,275), of which US$664,021 (December 31, 2005: US$892,123) were held in RMB equivalent in trust deposits with a registered financial institution in China. RMB is not a freely convertible currency and the RMB exchange rate remained relatively stable during the period.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at end of June 2006 and December 2005 respectively.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Except for the RMB bank deposits, the majority of the Company's assets are denominated in US dollars and Hong Kong dollars. As the peg of the Hong Kong dollar to the US dollar is expected to continue in the foreseeable future, the Company does not envisage any material exposure of its liquid assets to exchange rate fluctuations. Accordingly, no hedging instruments were deployed to cover such exposure.

Prospects

During the first half of 2006, the Company has reviewed more than 40 investment opportunities, and conducted a number of site visits for due diligence. Despite a handful seemed worth pursuing, further due diligence indicated earnings of those targets are not likely to come about in a few years. They needed funding to expand to reach their critical mass. As it will take at least 2 to 3 years before those companies can reach their projected level of profitability, investing in them would mean there will be little or no dividend income deriving therefrom for the next several years on the one hand, and bearing the risk of those companies not being able to achieve their targets on the other. The Company decided to continue its efforts to look for opportunities with more promising and safer returns prospects.

Meanwhile, continuous efforts to exit from certain historical portfolio investments are being made with the objective of recovering most, if not all, of the Company's invested capital in those companies, which otherwise would mean nothing more than a statistics without any dividend or cashable value.

As for the secondary market, the Hong Kong equity market is likely to remain positive for the balance of the year, despite huge volatility experienced in the first half. As the FMOC appears to pause on the rate hikes cycle for the moment, banks and property majors are likely to get a boost. Standard & Poor's recently upgraded both Hong Kong and China's credit rating to their highest level amid strong economic growth and financial reforms; and with speculations that the trading band of the RMB will continue to relax, Hong Kong is expected to benefit from further capital inflow into the region.

However, inflationary pressures remain intact with no signs of retreating energy costs and continued strong demand for commodities. In view of uncertainties arisen from the recent rate hike, raising reserve ratio requirement, and other austerity measures to bring down excessive fixed asset investments, the outlook of those opportunities remained cloudy.

With its GDP having registered the strongest growth in the second quarter despite the enforcement of macro adjustments, reflecting that either the measures have been targeted at the wrong sectors or not been adhered to, the Chinese government has repeatedly emphasized public measures to highlight its resolve to regulate the overheated and over-invested property market.

The Company will remain vigilant on changes in the China investment landscape and look for sound investment opportunities to enhance capital appreciation.

Deloitte.
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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by Shanghai International Shanghai Growth Investment Limited (the "Company") to review the interim financial report set out on pages 13 to 22.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Company's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended June 30, 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 22, 2006

CONDENSED INCOME STATEMENT

For the six months ended June 30, 2006

		Unaudited Six months ended June 30,	
		2006	2005
	Notes	***US$***	*US$*
Investment income	*3*	**370,557**	899,428
Gain on sale of investments in listed securities		**765,984**	55,876
Gain on sale of investments in unlisted securities		**–**	6,685,728
Impairment loss recognized in respect of an investment in unlisted securities	*4*	**–**	(2,000,000)
Increase in fair value of an investment property	*10*	**40,000**	33,000
		1,176,541	5,674,032
Operating expenses – Investment Manager's fee		**(365,750)**	(566,056)
Administrative expenses		**(226,903)**	(330,062)
		(592,653)	(896,118)
Profit for the period		**583,888**	4,777,914
Earnings per share – basic	*7*	**6.56 cents**	53.65 cents

CONDENSED BALANCE SHEET

At June 30, 2006

	Notes	Unaudited June 30, 2006 US$	Audited December 31, 2005 US$
Non-current assets			
Investments in unlisted securities	8	**3,960,000**	3,960,000
Investments in listed securities	9	**11,032,772**	11,424,171
Investment property	10	**680,000**	640,000
		15,672,772	16,024,171
Current assets			
Dividend, interest and other receivables and prepayments		**473,752**	357,859
Bank balances		**9,981,858**	19,733,275
		10,455,610	20,091,134
Current liabilities			
Accrued charges		**36,789**	8,575
Amount due to Investment Manager	13	**129,809**	184,073
		166,598	192,648
Net current assets		**10,289,012**	19,898,486
		25,961,784	35,922,657
Capital and reserves			
Share capital	11	**890,500**	890,500
Reserves		**25,071,284**	35,032,157
		25,961,784	35,922,657
Net asset value per share	12	**2.92**	4.03

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2006

	Share capital	Share premium	Capital reserve	Retained earnings	Total
	US$	*US$*	*US$*	*US$*	*US$*
At January 1, 2006	890,500	41,453,435	(6,615,056)	193,778	35,922,657
Fair value changes of investments in listed securities recognized directly in equity *(Note 1)*	–	–	141,239	–	141,239
Profit for the period	–	–	–	583,888	583,888
Total recognized income for the period	–	–	141,239	583,888	725,127
Transfers to capital reserve *(Note 2)*:					
– Gain on sale of investments in listed securities	–	–	765,984	(765,984)	–
– Increase in fair value of an investment property	–	–	40,000	(40,000)	–
Dividends paid	–	(10,686,000)	–	–	(10,686,000)
At June 30, 2006	**890,500**	**30,767,435**	**(5,667,833)**	**(28,318)**	**25,961,784**

CONDENSED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended June 30, 2006

	Share capital US$	Share premium US$	Capital reserve US$	Retained earnings US$	Total US$
At January 1, 2005	890,500	52,139,435	463,644	3,879,943	57,373,522
Fair value changes of investments in listed securities recognized directly in equity *(Note 1)*	–	–	(493)	–	(493)
Release of appreciation in value previously recognized in respect of an investment in unlisted securities upon disposal	–	–	(6,090,000)	–	(6,090,000)
Profit for the period	–	–	–	4,777,914	4,777,914
Total recognized (expenses) income for the period	–	–	(6,090,493)	4,777,914	(1,312,579)
Transfers to capital reserve *(Note 2)*:					
– Gain on sale of investments in listed and unlisted securities	–	–	6,741,604	(6,741,604)	–
– Increase in fair value of an investment property	–	–	33,000	(33,000)	–
– Impairment loss recognized in respect of an investment in unlisted securities	–	–	(2,000,000)	2,000,000	–
Dividends paid	–	(10,686,000)	–	(2,671,500)	(13,357,500)
At June 30, 2005	890,500	41,453,435	(852,245)	1,211,753	42,703,443

Notes:

1. For securities that are classified as available-for-sale investments, fair value changes are dealt with in the capital reserve until the security is sold or determined to be impaired, at which time the cumulative gain or loss will be included in the income statement.

2. As required by the Company's Articles of Association, gains and losses on realization and revaluation of investment in securities and assets shall not be available for distribution as dividend. Therefore, those gains and losses on investments in securities and assets recognized in the income statement are transferred to the capital reserve in the period in which they arise.

CONDENSED CASH FLOW STATEMENT

For the six months ended June 30, 2006

	Unaudited Six months ended June 30, 2006 US$	2005 US$
Net cash (used in) from operating activities	**(364,039)**	68,178
Net cash from investing activities:		
Proceeds from disposal of listed securities	**6,437,708**	4,658,776
Proceeds from disposal of unlisted securities	**–**	16,505,700
Deposits received for the disposal of an investment in unlisted securities	**–**	1,860,000
Purchase of listed securities	**(5,139,086)**	(2,514,606)
	1,298,622	20,509,870
Net cash used in financing activities:		
Final dividend paid	**–**	(2,671,500)
Special dividend paid	**(10,686,000)**	(10,686,000)
	(10,686,000)	(13,357,500)
Net (decrease) increase in cash and cash equivalents	**(9,751,417)**	7,220,548
Cash and cash equivalents at beginning of the period	**19,733,275**	13,038,078
Cash and cash equivalents at end of the period representing bank balances	**9,981,858**	20,258,626

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2006

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING PRACTICE

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company's audited annual financial statements for the year ended December 31, 2005.

In the current interim period, the Company has applied, for the first time, a number of new standards, amendments and interpretations (new "HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after December 1, 2005 or January 1, 2006. The application of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Company has yet to apply the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and financial positions of the Company.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]

[1] Effective for annual periods beginning on or after January 1, 2007.
[2] Effective for annual periods beginning on or after March 1, 2006.
[3] Effective for annual periods beginning on or after May 1, 2006.
[4] Effective for annual periods beginning on or after June 1, 2006.

3. INVESTMENT INCOME

	Six months ended June 30,	
	2006	2005
	US$	*US$*
Dividend income		
– Listed securities	**114,979**	107,779
– Unlisted securities	**–**	566,277
Interest income	**255,578**	225,372
	370,557	899,428

No segment information is presented as the Company has only one business activity, namely investment holding, and operates in the Greater China region only.

4. IMPAIRMENT LOSS RECOGNIZED IN RESPECT OF AN INVESTMENT IN UNLISTED SECURITIES

Impairment loss in the previous period was recognized based on the estimated recoverable amount of an investment in unlisted securities which has been making continuous loss.

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profits for both periods.

6. DIVIDENDS

During the period, the Company has paid out the following dividends:

	Six months ended June 30,	
	2006	2005
	US$	*US$*
2005 final dividend – nil (2004: US$0.30 per share)	**–**	2,671,500
2005 special final dividend – US$1.20 per share (2004: US$1.20 per share) from the share premium account	**10,686,000**	10,686,000
	10,686,000	13,357,500

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2006 (2005: Nil).

7. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the net profit for the period of US$583,888 (for the six months ended June 30, 2005: US$4,777,914) and 8,905,000 (for the six months ended June 30, 2005: 8,905,000) ordinary shares in issue.

No diluted earnings per share has been presented as the Company has no dilutive potential ordinary shares outstanding during both periods.

8. INVESTMENTS IN UNLISTED SECURITIES

	June 30, 2006 *US$*	December 31, 2005 *US$*
Unlisted equity investments in the People's Republic of China (the "PRC")	**3,960,000**	3,960,000

At the balance sheet date, the Company holds more than 20% of equity interest in certain unlisted investee companies. In the opinion of the directors, as the Company is an investment fund company which acts as a passive investor to the investee companies, it does not exert any significant influence over nor participate in the financial and operating policy decisions of those investee companies. Therefore, investments in those companies are classified as investments in securities in the financial statements.

The unlisted equity investments in the PRC are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

9. INVESTMENTS IN LISTED SECURITIES

	June 30, 2006 *US$*	December 31, 2005 *US$*
Listed securities, at fair value:		
Shares listed in Hong Kong	**7,983,749**	8,570,216
Shares listed in Taiwan	**1,655,775**	424,759
Non-tradable securities *(Note)*	**1,393,248**	2,429,196
	11,032,772	11,424,171

The investments in listed securities are held for long-term and non-trading in nature. Fair values of the investments in listed securities have been determined by reference to bid prices quoted in active markets.

Gain arising from fair value changes of investments in listed securities of US$141,239 was recognized directly in capital reserve for the current period.

Note: The amount represents the investment in Semiconductor Manufacturing International Corporation ("SMIC"), whose shares were listed in both Hong Kong and the United States in March 2004. The shares of SMIC held by the Company are subject to certain investor regulations and restriction from trade for a lock-up period of 180 days subsequent to its listing (the "Lock-up Period"). For a maximum period of three years from the expiration of the Lock-up Period (the "Post Lock-up Period"), the Company could sell or transfer up to 15% of its holding of pre-listing shares in SMIC at the beginning of every 6 months throughout the Post Lock-up Period. Fair value of the non-tradable listed securities has been determined by reference to the quoted market bid price. The directors are of the opinion that the Post Lock-up Period may have little, if any, effect on the price that a knowledgeable, willing market participant would pay for these shares.

10. INVESTMENT PROPERTY

	June 30, 2006 *US$*	December 31, 2005 *US$*
Fair value:		
At January 1	**640,000**	567,000
Increase in fair value recognized in the income statement	**40,000**	73,000
	680,000	640,000

The property is located in the PRC and held under long lease. The fair value of the Company's investment property at June 30, 2006 had been arrived at on the basis of a valuation carried out on that date by Knight Frank Petty Limited, an independent firm of qualified professional valuers.

11. SHARE CAPITAL

	Number of ordinary shares of US$0.10 each	**Share capital** *US$*
Authorized:		
At December 31, 2005 and June 30, 2006	18,000,000	1,800,000
Issued and fully paid:		
At December 31, 2005 and June 30, 2006	8,905,000	890,500

12. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at June 30, 2006 of US$25,961,784 (at December 31, 2005: US$35,922,657) and on the 8,905,000 (at December 31, 2005: 8,905,000) ordinary shares in issue as at June 30, 2006.

13. RELATED PARTY TRANSACTIONS

During the period, the Company had the following transactions with related parties:

	Six months ended June 30,	
	2006	2005
	US$	*US$*
Investment management and administration fees paid and payable to Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager")	**365,750**	566,056

	June 30, 2006	December 31, 2005
	US$	*US$*
Amount due to Investment Manager	**129,809**	184,073

In accordance with the terms of the Investment Management Agreement and the three supplemental agreements, the management and administration fees are calculated and payable quarterly in advance at 0.5% of the net asset value (calculated before deductions of the fees payable to the Investment Manager, the investment adviser and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

Without any changes in the calculation of management and administrative fee, the Company entered into a Fourth Supplemental Agreement on April 11, 2005 for a term of 3 years commencing on July 1, 2005.

Amount due to Investment Manager is unsecured, interest free and repayable on demand. The fair value of amount due to Investment Manager at balance sheet date approximates to the corresponding carrying amount.

Certain directors of the Company are also directors of the Investment Manager.

14. APPROVAL OF CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved and authorized for issue by the Board of the Company on September 22, 2006.

OTHER INFORMATION

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES

None of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at June 30, 2006.

DIRECTORS' INTEREST IN CONTRACTS

Other than the Investment Management Agreement described in note 13 to the financial statements, no contracts of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

EMPLOYEES

Other than employing a qualified accountant to comply with the requirement under the Listing Rules, the Company has no other employee. The Company continues to delegate the day-to-day administration of its investment portfolio to the Investment Manager.

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities & Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions in the ordinary shares of US$0.10 each of the Company

Name	Capacity	Number of shares held	Percentage of total issued shares	*Notes*
Mr. J. Ezra Merkin	Held by controlled corporation	1,690,500	18.98%	*(1)*
Gabriel Capital Corporation ("GCC")	Held by controlled corporation	1,223,239	13.74%	*(1)*
Gabriel Capital, L.P. ("Gabriel")	Beneficial owner	467,261	5.25%	*(1)*
Ariel Fund Limited ("Ariel")	Beneficial owner	690,578	7.75%	*(1)*
Mr. Hsu Sheng-yu	Held by controlled corporation	1,075,040	12.07%	*(2)*
Chung Chia Co., Ltd. ("Chung Chia")	Beneficial owner	598,743	6.72%	*(2)*
Kwang Shun Co., Ltd. ("Kwang Shun")	Beneficial owner	476,297	5.35%	*(2)*
Ms. Hsu Tsui-hua	Held by controlled corporation	598,743	6.72%	*(3)*
Ms. Chang Hsiu-yen	Held by controlled corporation	476,297	5.35%	*(4)*
Shanghai International Group Corporation Ltd.	Held by controlled corporation	503,000	5.65%	*(5)*
Shanghai International Trust Investment Corporation ("SITICO")	Beneficial owner	503,000	5.65%	*(5)*
Dover Street VI L.P.	Beneficial owner	500,000	5.61%	
Ruentex Industries Ltd.	Held by controlled corporation	616,752	6.93%	*(6)*
Ruentex Development Co., Ltd.	Held by controlled corporation	597,752	6.71%	*(7)*

Notes:

(1) Mr. J. Ezra Merkin is the General Partner of Gabriel, he is deemed to be interested in 1,690,500 shares by virtue of his 100% control over GCC and Gabriel. Besides, GCC is also deemed to be interested in the Company through its management of Ariel and other funds.

(2) Mr. Hsu Sheng-yu has an indirect interest in the Company through his 50% beneficial interest in each of Chung Chia and Kwang Shun.

(3) Ms. Hsu Tsui-hua has an indirect interest in the Company through her 50% beneficial interest in Chung Chia.

(4) Ms. Chang Hsiu-yen has an indirect interest in the Company through her 50% beneficial interest in Kwang Shun.

(5) Shanghai International Group Corporation Ltd. has an indirect interest in the Company through its approximately 66.33% equity interest in SITICO.

(6) Apart from a direct holding of 257,000 shares in the Company, Ruentex Industries Limited has an indirect interest in the Company through its 100% ownership in Full Shine Int'l Holdings Ltd.

(7) Apart from a direct holding of 228,000 shares in the Company, Ruentex Development Co., Ltd has an indirect interest in the Company through its 100% ownership in Ruentex Construction Int'l (BVI) Ltd.

Other than disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at June 30, 2006.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the six months ended June 30, 2006, the Company did not purchase, sell or redeem any of the Company's own securities.

AUDIT COMMITTEE

The Company has established an Audit Committee since 1999, which currently comprises four non-executive directors, three of them being independent. The Audit Committee has reviewed the unaudited interim financial statements in conjunction with the management and the external auditors. The Audit Committee also meets with the management of the Investment Manager to supervise the Company's matters on internal control, risk management and financial reporting process.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Specific confirmation has been obtained from all directors confirming their full compliance with the Model Code during the six months ended June 30, 2006.

CORPORATE GOVERNANCE

The Company has complied with all the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six months ended June 30, 2006.

By order of the Board
Wu, Choi Sun William
Executive Director

Hong Kong, September 22, 2006