

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.

Interim Report 2007

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CORPORATE INFORMATION

Directors

Executive Directors:

Dr. WANG, Ching

(appointed on July 1, 2007)

Mr. WU, Bin

(appointed on May 30, 2007)

Mr. WU, Choi Sun William

(resigned on July 1, 2007)

Mr. XUE, Wanxiang

(resigned on May 30, 2007)

Independent Non-Executive Directors:

Dr. HUA, Min

Mr. ONG, Ka Thai

Mr. YICK, Wing Fat Simon

Other Non-Executive Directors:

Mr. CAI, Nongrui

Mr. CHEN, Chi-chuan

Mr. LEE, Tien-chieh

Mr. LIN, Bin

(appointed on March 22, 2007)

Mr. TSENG, Ta-mon

Dr. WANG, Changhong

Mr. CHIU, Tak-Chiang

(retired on April 25, 2007)

Mr. HU, Jinggang

(retired on April 25, 2007)

Mr. ZHOU, Youdao

(resigned on March 22, 2007)

Company Secretary

Mr. LIANG, Kwan Wah Andrew

Investment Manager

Shanghai International Asset Management
(H.K.) Co., Ltd.

23/F Two International Finance Center,
8 Finance Street, Central, Hong Kong

Room 1203-4 Aetna Tower
107 Zun Yi Road
Shanghai 200051, China

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 and Transfer Office

Tricor Secretaries Limited

26/F Tesbury Centre,

28 Queen's Road East,

Hong Kong

Registered Office

Ugland House, P.O. Box 309

George Town, Grand Cayman,

Cayman Islands

Company's Website

<http://shanghaigrowth.etnet.com.hk>

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, 2007.

CONDENSED INCOME STATEMENT

For the six months ended June 30, 2007

		Unaudited	
		Six months ended June 30,	
		2007	2006
	<i>Notes</i>	US\$	<i>US\$</i>
Investment income	3	347,860	370,557
Gain on sale of investments in listed securities		2,806,321	765,984
Increase in fair value of an investment property	8	20,000	40,000
		3,174,181	1,176,541
Operating expenses			
– Investment Manager’s fee		(278,738)	(365,750)
Administrative expenses		(195,244)	(226,903)
		(473,982)	(592,653)
Profit for the period		2,700,199	583,888
Earnings per share – basic	6	30.32 cents	6.56 cents

CONDENSED BALANCE SHEET*As at June 30, 2007*

		Unaudited	Audited
		June 30,	December 31,
		2007	2006
	<i>Notes</i>	US\$	US\$
Non-current assets			
Investments in listed securities	7	10,019,890	9,863,728
Investment property	8	700,000	680,000
		10,719,890	10,543,728
Current assets			
Dividend, interest and other receivables and prepayments		165,830	213,237
Consideration receivable from disposal of an unlisted investment		1,160,000	2,310,000
Bank balances		14,154,967	14,843,855
		15,480,797	17,367,092
Current liabilities			
Accrued charges		50,089	45,771
Amount due to Investment Manager	11	151,632	148,394
		201,721	194,165
Net current assets			
		15,279,076	17,172,927
		25,998,966	27,716,655
Capital and reserves			
Share capital	9	890,500	890,500
Reserves		25,108,466	26,826,155
		25,998,966	27,716,655
Net asset value per share			
	10	2.92	3.11

CONDENSED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2007*

	(Unaudited)				Total US\$
	Share capital US\$	Share premium US\$	Capital reserve US\$	(Accumulated losses) retained earnings US\$	
At January 1, 2007	890,500	30,767,435	(3,698,808)	(242,472)	27,716,655
Fair value changes of investments in listed securities recognized directly in equity (Note 1)	-	-	833,232	-	833,232
Realized on disposal of securities	-	-	(798,620)	-	(798,620)
Profit for the period	-	-	-	2,700,199	2,700,199
Total recognized income for the period	-	-	34,612	2,700,199	2,734,811
Transfers to capital reserve (Note 2):					
– Gain on sale of investments in listed securities	-	-	2,806,321	(2,806,321)	-
– Increase in fair value of an investment property	-	-	20,000	(20,000)	-
Dividends paid	-	(4,452,500)	-	-	(4,452,500)
At June 30, 2007	890,500	26,314,935	(837,875)	(368,594)	25,998,966

CONDENSED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2007*

	(Unaudited)				Total US\$
	Share capital US\$	Share premium US\$	Capital reserve US\$	(Accumulated losses) retained earnings 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)	-	-	261,638	-	261,638
Realized on disposal of securities	-	-	(120,399)	-	(120,399)
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

Notes:

- 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.
- 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, 2007*

	Unaudited	
	Six months ended June 30,	
	2007	2006
	US\$	US\$
Net cash used in operating activities	(71,159)	(364,039)
Net cash from investing activities:		
Proceeds from disposal of listed securities	8,795,621	6,437,708
Proceeds from disposal of unlisted securities	1,150,000	–
Purchase of listed securities	(6,110,850)	(5,139,086)
	3,834,771	1,298,622
Net cash used in financing activities:		
Special dividend paid	(4,452,500)	(10,686,000)
Net decrease in cash and cash equivalents	(688,888)	(9,751,417)
Cash and cash equivalents at beginning of the period	14,843,855	19,733,275
Cash and cash equivalents at end of the period representing bank balances	14,154,967	9,981,858

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended June 30, 2007***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 POLICIES

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, 2006.

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 on January 1, 2007. The adoption 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 standard, amendment and interpretations that have been issued but are not yet effective. The directors anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and financial positions of the Company.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after January 1, 2009.

² Effective for annual periods beginning on or after March 1, 2007.

³ Effective for annual periods beginning on or after January 1, 2008.

3. INVESTMENT INCOME

	Six months ended June 30,	
	2007	2006
	US\$	US\$
Dividend income from listed securities	61,756	114,979
Interest income	286,104	255,578
	347,860	370,557

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. 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.

5. DIVIDENDS

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

	Six months ended June 30,	
	2007	2006
	US\$	US\$
2006 special final dividend – US\$0.50 per share (2005: US\$1.20 per share) from the share premium account	4,452,500	10,686,000

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2007 (2006: Nil).

6. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the net profit for the period of US\$2,700,199 (for the six months ended June 30, 2006: US\$583,888) and 8,905,000 (for the six months ended June 30, 2006: 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.

7. INVESTMENTS IN LISTED SECURITIES

	June 30, 2007 US\$	December 31, 2006 US\$
Listed securities, at fair value:		
Shares listed in Hong Kong	10,019,890	9,638,017
Non-tradable securities (<i>Note</i>)	-	225,711
	10,019,890	9,863,728

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\$833,232 was recognized directly in capital reserve for the current period.

Note:

The amount represents the investment in Semiconductor Manufacturing International Corporation ("SMIC"), whose shares have been listed in both Hong Kong and the United States since March 2004. The shares of SMIC held by the Company are subject to certain investor regulations and restriction from trading for a lock-up period of 180 days subsequent to their 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-month period throughout the Post Lock-up Period. The Post Lock-up Period lapsed on February 25, 2007, as such all the SMIC shares have become fully tradable after this date. In previous periods, fair value of the non-tradable listed securities was determined by reference to the quoted market bid price.

8. INVESTMENT PROPERTY

	June 30, 2007 US\$	December 31, 2006 US\$
Fair value:		
At January 1	680,000	640,000
Increase in fair value recognized in the income statement	20,000	40,000
	700,000	680,000

The property is located in the PRC and held under long lease. The fair value of the Company's investment property at June 30, 2007 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. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

9. SHARE CAPITAL

	Number of ordinary shares of US\$0.1 each	Share capital US\$
Authorized:		
At December 31, 2006 and June 30, 2007	18,000,000	1,800,000
Issued and fully paid:		
At December 31, 2006 and June 30, 2007	8,905,000	890,500

10. 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, 2007 of US\$25,998,966 (at December 31, 2006: US\$27,716,655) and on the 8,905,000 (at December 31, 2006: 8,905,000) ordinary shares in issue as at June 30, 2007.

11. RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
	2007	2006
	US\$	US\$
Investment management and administration fees paid and payable to Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager")	278,738	365,750
	June 30, 2007	December 31, 2006
	US\$	US\$
Amount due to Investment Manager	151,632	148,394

In accordance with the terms of the Investment Management Agreement and the relevant four 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.

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.

12. APPROVAL OF CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved and authorized for issue by the Board of the Company on September 17, 2007.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.

德勤

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

Introduction

We have reviewed the interim financial information set out on pages 3 to 12 which comprises the condensed balance sheet of Shanghai International Shanghai Growth Investment Limited as of June 30, 2007 and the related condensed income statement, statement of changes in equity and cash flow statement of the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review on interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 17, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company recorded a net profit of US\$2,700,199 for the six months ended June 30, 2007 (2006: US\$583,888), representing a remarkable increase of 362.45% over the corresponding period in 2006. The increase was mainly attributable to substantial realized gains derived from its listed securities portfolio. The Company received US\$61,756 in dividend income (2006: US\$114,979) and US\$2,806,321 (2006: US\$765,984) in realized gains on disposal of listed securities. As for unlisted investments, no dividend income was recorded in the first half of 2007, however, an interest income of US\$58,712 was received on the remaining balance of outstanding payment due from the purchaser of an unlisted investment exited in 2006. The Company's investment property also reflected an appreciation in value of US\$20,000.

In May 2007, the Company paid to its shareholders a special final dividend of US\$0.50 per share for 2006. As at June 30, 2007, the Company's net asset value ("NAV") per share was US\$2.92 after such dividend distribution, a 6.1% decrease compared with US\$3.11 at the end of 2006. At the end of June 2007, the Company's share price was US\$2.55 (December 31, 2006: US\$2.10), reflecting a discount of 12.67% to NAV per share, nonetheless, this is a 45% improvement before the payment of special dividend.

Investment Review

Unlisted Investments Portfolio

At the end of June 2007, apart from those investments the valuation of which had been fully impaired and fully provided for, the Company has exited from all active unlisted investments.

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

Guardian Investment Growth Limited ("Guardian"), the Company's wholly-owned single purpose subsidiary, received the second payment of US\$1,150,000 from its share sale in Well Bright as well as interest income of US\$58,712 on March 31, 2007. Such payments had been transferred to the Company on May 2, 2007 by means of a reduction of capital in Guardian. The third and final installment of US\$1,160,000 and related interest payment are due to Guardian no later than September 30, 2007, by which time the share sale transaction will be completed.

Others

Three fully impaired unlisted investments, namely Shanghai Lian Ji Synthetic Fiber Co. Ltd., Shanghai Hua Xin High Biotechnology Inc. and Shanghai Xinpu Transportation Co., Ltd., are either in the process of liquidation or seeking exit opportunities.

Listed Investments Portfolio

Semiconductor Manufacturing International Corporation ("SMIC")

The Company invested approximately US\$6 million in SMIC's unlisted shares in 2001 and the investment was converted into 54 million ordinary shares upon SMIC's listing in March 2004. The last batch of shares in SMIC subject to lock-up restriction was released on February 25, 2007. As of June 30, 2007, 17.4 million shares in SMIC were held by the Company, all of which were freely tradable. The Company has so far registered a cumulative gain of approximately US\$4.04 million or 67.12% in respect of partial sale and continuous holding of this investment.

In the second quarter, SMIC's revenue increased by 3.7% over the second quarter of 2006 to US\$374,800,000, but decreased by 3.5% from US\$388,300,000 in first quarter of 2007. Net loss for the quarter was US\$2.1 million compared to a net income of \$8.8 million in the first quarter. There was an increase in revenue from 90-nanometer to 22% of wafer revenue, up from 14% in the first quarter of 2007. SMIC expects total revenue to increase by 2% to 5% in the coming third quarter of 2007 while revenue contribution from the 90-nanometer node is expected to continue to increase.

Listed Investments Review

The Company's listed securities portfolio recorded a 26% gain in the first half of the year, outperforming the Hang Seng Index ("HSI") and the Hang Seng China Enterprises Index ("HSCEI"), which were 9% and 16% up respectively. Among other sector indices, the Red Chip Index had the best performance, registering a 24% gain in the first half. Commercial & Industrial and Properties indices posted 15.7% and 9.6% gain respectively. Market trading volume was extremely hefty, with average daily turnover reaching HK\$56.8 billion, an 81% increase from the same period last year.

Based on the record of The Stock Exchange of Hong Kong Limited, a total of 1,002 companies were listed on the main board as at end of June this year. Total market capitalization has ballooned to HK\$15,800 billion, a 61% increase year-on-year. Total number of constituent stocks of HSI was increased to 39 in mid February this year, with the addition of China Life Insurance (2628), ICBC (1398) and Ping An Insurance (2318) in the first half of the year. The HSI Services Company has adopted the free float-adjusted factor to calculate the constituents' weighting, with a cap on individual stock weightings. The free float-adjusted factor is fully reflected in the weightings from September 7, 2007.

Although Hong Kong's market capitalization has reached a record high of HK\$15,800 billion, it was still below the combined market capitalization of RMB17,800 billion for both Shanghai and Shenzhen. Hong Kong market's turnover topped HK\$77 billion for the second quarter, but that only equates to about 30% of that of China's stock markets. Based on PE multiples between the two jurisdictions, stock exchanges in both Shanghai and Shenzhen are far more attractive than Hong Kong to companies looking for listings. The combined fund raising from IPOs on Shanghai and Shenzhen exchanges surpassed that of Hong Kong's during the first half of 2007.

As for the prevailing Hong Kong currency peg to the US dollar, the HKSAR government has reiterated on repeated occasions that it has no intention to change the current peg system, even if the RMB is likely to appreciate further against the US dollar. It is envisaged the Hong Kong currency's peg to the US dollar will be subject to further challenges in the coming years if the US dollar continues its slide and precipitates in more market volatility.

Since the Chinese government modified RMB's fixed rate against the US dollar on July 25, 2005, allowing RMB to float within a narrow trading band against a basket of currencies, pressure from the US and the EU for the RMB to appreciate further has never stopped. China's central bank had to widen the trading band further this year to address the mounting trade surplus issue and continuous robust inflow of foreign direct investments.

RMB is widely expected to appreciate against the US dollar in the long run. Accordingly, the H-share companies, having most of their revenues generated from China and their assets domiciled therein, become ideal investment targets for overseas investors wishing to capitalize on China's economic growth on the one hand, and piggy back on the currency appreciation on the other.

Investment Property

The Company purchased a property in Shanghai in 1994 for investment purpose. It is located at the Rose Garden, Xuhui District. The carrying value of this property was US\$700,000 as of June 30, 2007, with a valuation surplus of US\$20,000 compared with that at the end of December 2006.

Liquidity, Financial Resources, Gearing and Capital Commitment

Subsequent to a distribution of special dividend in May 2007, the Company's bank balances as of June 30, 2007 were US\$14,154,967 (December 31, 2006: US\$14,843,855), of which US\$701,753 (December 31, 2006: US\$680,297) were held in RMB equivalent on trust deposits with a registered financial institution in China. RMB is not a freely convertible currency and since July 25, 2005, the RMB exchange rate has appreciated by 8.35% versus the US dollar by end of June 2007. Heeding advice from the Board to seek better returns on cash management, the Company maintained approximately US\$3.1 million on deposit as at June 30, 2007 (December 31, 2006: US\$6.2 million) with Standard Chartered Bank, Hong Kong, a recognized sub-custodian bank of the Company's custodian, State Street Bank and Trust Company.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at end of June 2007 and December 2006 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 long as the Hong Kong dollar continues its peg to the US dollar in the foreseeable future, the Company does not envisage any material exposure to exchange fluctuations. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure.

The moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact on the Company.

Prospects

The Company has conducted due diligence reviews since July 2007 on a number of investment projects. The Company expects to invest in selected target companies with excellent quality and promising returns after the due diligence process is satisfied. Meanwhile, continuous efforts to exit from the remaining historical portfolio of unlisted investments are being made with the objective of recovering most, if not all, of the Company's invested capital in those companies.

Regarding listed investment portfolio, the Company's outlook is positive for the second half of the year for the following reasons:

Firstly, China Securities Regulatory Commission liberalized the investment scope of the Qualified Domestic Institutional Investor Scheme ("QDII") in June 2007 to include Hong Kong listed equities. This relaxation would attract investment from the mainland and have a very positive and long term effect on the Hong Kong stock market.

Secondly, China's Gross Domestic Product ("GDP") increased to 11.9% in the second quarter of 2007. Total retail sales of consumer goods went up rapidly and reached RMB4,204 billion in the first half, 15.4% up compared with the same period last year. The month of June alone was up 16%, the biggest rise since 1997. As a result, consumer-related companies achieved significant profits during the period.

Thirdly, the appreciation of RMB attracted foreign investment in H-shares. Hang Seng China Enterprises Index ("H-share Index") ended with 12,001 point at the end of June, a mere 2.9% from the 12,357 point new high set on June 25. The Company anticipates that RMB will continue to appreciate and is positive on the profit increment of China enterprises.

The Company will continue to analyze incoming economic data and study their plausible impact on the equity market as well as prudently selecting quality stocks for investment in order to reap handsome return for its shareholders.

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, 2007.

Directors' Interest in Contracts

Other than the Investment Management Agreement described in note 11 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 or at any time during the period.

Employees

Other than retaining 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 its Investment Manager.

Substantial Shareholders

As at June 30, 2007, 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	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 was deemed to be interested in 1,690,500 shares by virtue of his 100% control over GCC and Gabriel. Besides, GCC was 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 held indirect interests 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 held 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, 2007.

Purchase, Sale and Redemption of Securities

During the six months ended June 30, 2007, 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 whom 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 respective compliance with the Model Code during the six months ended June 30, 2007.

Corporate Governance

As from January 1, 2005, the new Code on Corporate Governance Practices (the “CG Code”) issued by The Stock Exchange of Hong Kong Limited became effective for accounting periods commencing on or after that date. The Board has reviewed the CG Code and has adopted the same as the Company’s own code of corporate governance practices. During the six months ended June 30, 2007, the Company has complied with all the provisions under the CG Code.

By order of the Board of
Shanghai International
Shanghai Growth Investment Limited
WANG, Ching
Executive Director

Hong Kong, September 17, 2007