

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 770)

Interim Report 2008

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

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CORPORATE INFORMATION

Directors

Executive Directors:

Dr. WANG, Ching

Mr. WU, Bin

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

Mr. TSENG, Ta-mon

Dr. WANG, Changhong

(resigned on July 15, 2008)

Company Secretary

Mr. LIANG, Kwan Wah Andrew

Investment Manager

Shanghai International Asset

Management (H.K.) Co., Ltd.

23/F Two International Finance Center

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Room 1203 Aetna Tower

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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

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George Town, Grand Cayman

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Principal Place of Business

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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 and its associate (the “Group”) for the six months ended June 30, 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2008

		Unaudited	
		Six months ended June 30,	
		2008	2007
	<i>Notes</i>	US\$	US\$
Investment income	3	86,545	347,860
Gain on sale of investments in listed securities		–	2,806,321
Increase in fair value of an investment property		–	20,000
Exchange gain		45,639	–
		132,184	3,174,181
Investment Manager’s fee	11	(519,511)	(278,738)
Loss on sale of investments in listed securities		(345,701)	–
Administrative expenses		(246,053)	(195,244)
		(1,111,265)	(473,982)
(Loss) profit for the period		(979,081)	2,700,199
(Loss) earnings per share			
– Basic	6	(10.99) cents	30.32 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2008

		(Unaudited) June 30, 2008 US\$	(Audited) December 31, 2007 US\$
	<i>Notes</i>		
Non-current assets			
Interest in an associate		2,573,301	2,573,301
Investments in unlisted securities		2,500,000	2,500,000
Investments in listed securities	7	3,043,371	9,732,109
Investments in redeemable convertible preference shares	8	7,600,000	–
		15,716,672	14,805,410
Current assets			
Dividend, interest and other receivables and prepayments		140,516	180,420
Consideration receivable from disposal of listed securities		1,022,248	–
Bank balances		5,724,327	12,262,048
		6,887,091	12,442,468
Current liabilities			
Accrued charges		89,328	85,452
Amount due to Investment Manager	11	153,100	149,460
		242,428	234,912
Net current assets			
		6,644,663	12,207,556
		22,361,335	27,012,966
Capital and reserves			
Share capital	9	890,500	890,500
Reserves		21,470,835	26,122,466
		22,361,335	27,012,966
Net asset value per share			
	10	2.51	3.03

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2008*

	(Unaudited)				
	Share capital	Share premium	Capital reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$
At January 1, 2008	890,500	26,314,935	327,462	(519,931)	27,012,966
Fair value changes of investments in listed securities recognized directly in equity (Note 1)	-	-	(2,237,251)	-	(2,237,251)
Realized on disposal of securities	-	-	345,701	-	345,701
Loss for the period	-	-	-	(979,081)	(979,081)
Total recognized expense for the period	-	-	(1,891,550)	(979,081)	(2,870,631)
Transfers to capital reserve (Note 2):					
– Loss on sale of investments in listed securities	-	-	(345,701)	345,701	-
Dividend paid	-	(1,781,000)	-	-	(1,781,000)
At June 30, 2008	890,500	24,533,935	(1,909,789)	(1,153,311)	22,361,335

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2008*

	Share capital	Share premium	(Unaudited) Capital reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	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)	-	-	2,840,933	-	2,840,933
Realized on disposal of securities	-	-	(2,806,321)	-	(2,806,321)
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)	-
Dividend paid	-	(4,452,500)	-	-	(4,452,500)
At June 30, 2007	890,500	26,314,935	(837,875)	(368,594)	25,998,966

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 consolidated income statement.
- As required by the Company's Articles of Association, gains and losses on realization and revaluation of investments 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 consolidated income statement are transferred to the capital reserve in the period in which they arise.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended June 30, 2008*

	Unaudited	
	Six months ended June 30,	
	2008	2007
	US\$	US\$
Net cash used in operating activities	(585,960)	(71,159)
Net cash (used in) from investing activities:		
Proceeds from disposal of listed securities	5,850,488	8,795,621
Proceeds from disposal of unlisted securities	–	1,150,000
Purchase of redeemable convertible preference shares	(7,600,000)	–
Purchase of listed securities	(2,421,249)	(6,110,850)
	(4,170,761)	3,834,771
Net cash used in financing activities:		
Special dividend paid	(1,781,000)	(4,452,500)
Net decrease in cash and cash equivalents	(6,537,721)	(688,888)
Cash and cash equivalents at beginning of the period	12,262,048	14,843,855
Cash and cash equivalents at end of the period representing bank balances	5,724,327	14,154,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

1. BASIS OF PREPARATION

The condensed consolidated 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 consolidated 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 consolidated financial statements are consistent with those followed in the preparation of the Group's audited annual financial statements for the year ended December 31, 2007.

In the current period, the Company has acquired US\$7,600,000 redeemable convertible preference shares, the accounting policy for which is adopted as follows:

Redeemable convertible preference shares

The redeemable convertible preference shares acquired by the Company comprise the host loan component and embedded derivatives (the conversion option and redemption option) and are designated as financial assets at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, the entire redeemable convertible preference shares are measured at fair value, with changes in fair value recognized directly in the consolidated income statement in the period in which they arise.

Transaction costs that are directly attributable to the acquisition of the redeemable convertible preference shares designated as financial assets at fair value through profit or loss are recognized immediately in the consolidated income statement.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("Interpretations") issued by the HKICPA, which are effective for accounting periods beginning on January 1, 2008. The adoption of these new Interpretations has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2. PRINCIPAL ACCOUNTING PRACTICE *(Cont'd)*

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s), amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 13	Customer loyalty programmes ³
HK(IFRIC) – INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation ⁴

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

² Effective for annual periods beginning on or after July 1, 2009.

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

⁴ Effective for annual periods beginning on or after October 1, 2008.

3. INVESTMENT INCOME

	Six months ended June 30,	
	2008	2007
	US\$	US\$
Dividend income from listed securities	42,665	61,756
Interest income	43,880	286,104
	86,545	347,860

No segment information is presented as the Group 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. DIVIDEND

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

	<u>Six months ended June 30,</u>	
	2008	2007
	US\$	US\$
2007 special final dividend – US\$0.20 per share (2006: US\$0.50 per share) from the share premium account	1,781,000	4,452,500

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2008 (2007: Nil).

6. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share is based on the loss for the period of US\$979,081 (profit for the six months ended June 30, 2007: US\$2,700,199) and 8,905,000 (for the six months ended June 30, 2007: 8,905,000) ordinary shares in issue.

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

7. INVESTMENTS IN LISTED SECURITIES

	<u>June 30,</u>	December 31,
	2008	2007
	US\$	US\$
Listed securities, at fair value:		
Shares listed in Hong Kong	3,043,371	9,732,109

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

8. INVESTMENTS IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	June 30, 2008 US\$	December 31, 2007 US\$
Series A Preference Shares in Grandpro Technology Limited ("Grandpro")	2,600,000	–
Series B Preference Shares in Global Market Group Limited ("GMG")	5,000,000	–
	7,600,000	–

During the period, the Company acquired 260 Series A Preference Shares in Grandpro (the "Grandpro Preference Shares") and 1,530,769 Series B Preference Shares in GMG (the "GMG Preference Shares") for a total consideration of US\$7,600,000.

The Grandpro Preference Shares are convertible into ordinary shares of Grandpro at the option of the Company and will be automatically converted into ordinary shares of Grandpro upon listing of Grandpro's shares on a recognized stock exchange which values Grandpro with a market capitalization of at least a certain specified amount. The Grandpro Preference Shares are redeemable after December 30, 2010 at 100% plus accrued interest at 10% per annum.

The GMG Preference Shares are convertible into ordinary shares of GMG at the option of the Company and will be automatically converted into ordinary shares of GMG upon listing of GMG's shares on a recognized stock exchange which values GMG with a market capitalization of at least a certain specified amount. The GMG Preference Shares are redeemable after December 31, 2011 at 100% and will bear interest at 8% per annum from December 31, 2011.

9. SHARE CAPITAL

	Number of ordinary shares of US\$0.1 each	Share capital US\$
Authorized:		
At December 31, 2007 and June 30, 2008	18,000,000	1,800,000
Issued and fully paid:		
At December 31, 2007 and June 30, 2008	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 Group as at June 30, 2008 of US\$22,361,335 (at December 31, 2007: US\$27,012,966) and on the 8,905,000 (at December 31, 2007: 8,905,000) ordinary shares in issue as at June 30, 2008.

11. RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
	2008	2007
	US\$	US\$
Investment management and administration fees paid and payable to Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager")	258,216	278,738
Incentive fee paid to the Investment Manager	261,295	–
	519,511	278,738
	June 30,	December 31,
	2008	2007
	US\$	US\$
Amount due to Investment Manager	153,100	149,460

In accordance with the terms of the Investment Management Agreement and the relevant five 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 Group calculated on the last business day of the previous quarter.

In addition, during the period the Group paid an incentive fee in relation to 2007 performance to the Investment Manager amounting to US\$261,295, in accordance with the terms of the Investment Management Agreements.

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

12. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorized for issue by the Board of the Company on September 11, 2008.

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 consolidated balance sheet of Shanghai International Shanghai Growth Investment Limited as of June 30, 2008 and the related condensed consolidated 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 HKAS34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 11, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited loss of US\$979,081 for the six months ended June 30, 2008 (profit for the six months ended June 30, 2007: US\$2,700,199). The Group has re-balanced its listed securities portfolio in view of significant correction in stock markets in the first half of 2008. The Group has received US\$42,665 in dividend income from listed investments (2007: US\$61,756) but has recorded a realized loss of US\$345,701 on disposal of listed securities versus realized gains of US\$2,806,321 in the same period last year. A total loss of US\$2,237,251 as fair value changes in listed investments was recorded for the first half of 2008. As for unlisted investments, no dividend income was recorded in both years since the two new investments were made in the fourth quarter of 2007. The Company has invested in another two new unlisted investments in the first quarter of 2008, which are investments in redeemable convertible preference shares. No fair value change was recognized in the current period.

In May 2008, the Company paid to its shareholders a special final dividend of US\$0.20 per share for 2007. As at June 30, 2008, the Group's net asset value ("NAV") per share was US\$2.51 after such dividend distribution, a 17.16% decrease compared with US\$3.03 at the end of 2007. At the end of June 2008, the Company's share price was US\$2.00 (December 31, 2007: US\$2.30), reflecting a discount of 20.32% to NAV per share.

Investment Review

Unlisted Investments Portfolio

In the first half of 2008, the Company invested in two new projects at a total consideration of US\$7,600,000. These are investments in redeemable convertible preference shares of two investee companies, one of which is engaged in Internet online games platform named Grandpro Technology Limited and the other is a B2B Internet trading service provider named Global Market Group Limited.

The Investment Manager went through screening processes on over 30 other different projects, for discovery of any potential lucrative investments and some of which are being under in-depth study.

Raffles International Investment Ltd. (“Raffles”)

The Company invested in 22.73% equity interest in Raffles for a consideration of HK\$20 million, equivalent to US\$2.5 million, in September 2007. Raffles is a single purpose investment vehicle for purchase of equity shares in Tongrui Holding Limited (“Tongrui”) which invests in Wuxi Ruinian Enterprise Company Limited (“Ruinian”).

Ruinian is principally engaged in manufacturing Amino Instant (tablet). It also launched a new product line of herbal tea, with state-protected confidential formula, called “Shun Pai” in the regions of Jiangsu and Zhejiang, as a way of tapping into the fast growing China herbal drinks market. In 2008, the brand “Ruinian” was once again awarded with “Jiangsu Province Renowned Brand” and honored by other industry organizations as well.

As of the end of June 2008, Tongrui recorded unaudited consolidated revenue of RMB475 million and unaudited consolidated net profit of RMB110 million. During the first half of 2008, Tongrui group has filed an application for a listing of its shares on the Hong Kong Stock Exchange and targeted to list before end of 2008.

China Material Technology Limited (“CMT”)

The Company invested in 4.31% equity interest in CMT for a consideration of US\$2.5 million in November 2007.

CMT’S wholly-owned subsidiary South Polar Lights Steel (Shanghai) Company Limited (“SPLS”) has produced over 36,000 tons of hot-rolled galvanized steel, with a 25% factory utilization rate. As a result of the nation’s monetary measures, downstream enterprises are being restrained, which led to a drop in the demand for hot-rolled galvanized steel. Together with inadequate working capital problem that CMT has been experiencing, productions were limited. Orders are mainly from Taiwan and German steel manufacturers as well as traders, with the majority products falling between the thicknesses of 1.5 – 2.0mm.

As of the end of June 2008, SPLS recorded unaudited revenue of RMB174 million, with a corresponding unaudited loss of RMB11 million. CMT is actively seeking for additional funding to meet its working capital requirement and future development plans.

Grandpro Technology Limited (“Grandpro”)

In January 2008, the Company acquired 260 Series A Preference Shares in Grandpro (“Grandpro Preference Shares”) for a consideration of US\$2.6 million. Grandpro Preference Shares are convertible into ordinary shares of Grandpro upon listing of its shares on a recognized stock exchange or are redeemable at cost plus accrued interest at 10% per annum should listing of its shares not be consummated by the end of 2010.

Grandpro is principally engaged in the development and operation of online game platform. In the first half of 2008, Grandpro’s daily users reached 760,000, monthly active users recorded approximately 9,630,000 and it is still growing.

Grandpro had been granted the right to operate “Crazy Kart II”, a game which Shanda Interactive Entertainment had spent over four years to develop; it is the very first 3D leisure online kart racing game ever in China. Other games like “Investiture of the Gods” and “Company of Heroes” are also about to go online soon.

As of the end of June 2008, Grandpro has recorded unaudited sales revenue of RMB17 million, and unaudited loss of RMB7 million.

Global Market Group Limited (“GMG”)

In March 2008, the Company acquired 1,530,769 Series B Preference Shares in GMG for a consideration of US\$5 million. The GMG Preference Shares are convertible into ordinary shares of GMG upon the listing of its shares on a recognized stock exchange or are redeemable at cost bearing interest at 8% per annum should listing of its shares not be consummated by the end of 2011.

GMG is a leading B2B Internet trading service provider in the PRC. Apart from its three core sectors, namely lighting, household appliances and audio & video products, GMG has started to develop new sectors such as automobiles, gifts, computer components and environmental friendly products. In addition, GMG increased the number of sales consultants, hosted several large conferences between buyers and sellers and cooperated with media to boost public exposure. All these are expected to enlarge GMG’s high quality buyer database and attract sellers to enroll as members.

Global Market Group Limited (“GMG”) (Cont'd)

Apart from B2B trading platform, GMG extends its business to international logistics business by providing a complete range of services including freight forwarding, transport insurance and customs declaration services. GMG also has targeted two B2B companies' acquisitions and are currently under negotiation, through which, GMG can enrich its client base as a whole and expand its market share.

As of the end of June 2008, GMG has recorded unaudited sales revenue of RMB108 million with unaudited profit of RMB1.8 million.

Listed Investment Portfolio

The Company's listed securities portfolio recorded a loss of 21.88% in the first half of 2008, almost in-line with the Hong Kong benchmark Hang Seng Index (“HSI”), which declined by 20.56% over the same period; but outperformed the Hang Seng China Enterprises Index (HSCEI)'s 26.14% negative growth. A loss of US\$2,237,251 on fair value change on investments in listed securities were recorded in the period.

The U.S. subprime loan crisis remains a haunting factor to global markets. Due to the correlation between the Hong Kong and the U.S., the local market followed the global market down trend. In the first half of this year, China faced natural disasters one after another; snowstorms, floods and the severe catastrophic earthquake in Sichuan, which brought about adverse economic effects, with the A-share index plunging 49% by the end of June 2008. Consumer Price Index reached its record high at 8.7% in February, ending in a 7.1% increase in the first half, inflation has become a major concern and the Chinese government is determined to tackle this problem. The immediate measure was the lifting of banks' Required Reserve Ratio on six occasions, from the beginning of the year's 14.485% to 17.5%.

On the other side of the strait, the presidential inauguration in Taiwan did not cause any instant boost to the stock market. Instead, Taiwan Stock Exchange Capitalization Weighted Stock Index (“TAIEX”) plunged as much as 20% from that day on, as the market responded to this as an opportunity for profit-taking sell-off. However, the eased tensions for cross-straits relationship should bring stability to the region and the effect will be reflected in the long run. Comparing with other regions, TAIEX fell only 11.5% in the first half of this year, outperforming other Asian markets.

World stock markets' performance in the first half of 2008

Index	12/31/2007	6/30/2008	Change
HSI	27,812.65	22,102.01	-20.53%
HSCEI	16,124.72	11,909.75	-26.14%
HSCCI	6,111.20	4,750.72	-22.26%
Shanghai A	5,521.49	2,869.937	-48.02%
Shenzhen A	1,520.989	830.197	-45.42%
TAIEX	8,506.28	7,523.54	-11.55%
DOW JONES	13,264.82	11,350.01	-14.44%
S&P 500	1,468.36	1,280.00	-12.83%
NASDAQ	2,652.28	2,292.98	-13.55%

Source: Bloomberg

HSI – Hang Seng Index

HSCEI – Hang Seng China Enterprises Index

HSCCI – Hang Seng China-Affiliated Corporations (Red Chip) Index

Shanghai A – Shanghai A-Share Stock Price Index

Shenzhen A – Shenzhen A-Share Stock Price Index

TAIEX – Taiwan Exchange Index

DOW JONES – Dow Jones Industrial Average Index

S&P 500 – Standard and Poor's 500 Index

NASDAQ – NASDAQ Composite Index

Prospects

Going forward, we see that the Hong Kong market will remain volatile and lack of clear direction, as it will be influenced by mixed economic indicators from both the U.S. and China. Signs of economic slow-down can be clearly seen in the U.S. market. For the remainder of 2008, our investment strategy will continue to be carried out in a meticulous manner. However, we must also be alert to struggling financial institutions as damages from subprime losses may not be over as yet. Some postponed IPOs are expected to resume their listing process in Hong Kong in the second half, perhaps at lower valuations.

In conclusion, the Company will focus more on unlisted investment as sentiment of the stock markets remained pessimistic. The Investment Manager will continue to conduct due diligence reviews on a number of projects and closely monitor all existing invested projects. We see this as a good opportunity to source out quality private equity projects at lower investment valuations. Given the volatile market condition, the Investment Manager will continue to execute investment strategy with caution, with particular emphasis on risk management.

OTHER INFORMATION

Liquidity, Financial Resources, Gearing and Capital Commitment

Subsequent to a distribution of special dividend of US\$1,781,000 in May 2008 and the two preference shares investments of US\$7.6 million, the Group's bank balances as of June 30, 2008 were US\$5,724,327 (December 31, 2007: US\$12,262,048), of which US\$784,765 (December 31, 2007: US\$736,728) were held in RMB equivalent on trust deposits with a registered financial institution in China. RMB is not a freely convertible currency and the RMB exchange rate has appreciated by 6.14% versus the US dollar during 2008. The Company maintains a cash balance of US\$419,465 (December 31, 2007: US\$2.8 million) with Standard Chartered Bank, Hong Kong, a recognized sub-custodian bank of the Company's custodian, State Street Bank and Trust Company.

The Group did not have any bank borrowing or capital commitment on its unlisted investments at end of June 2008 and December 2007 respectively.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Except for the RMB bank deposit, the majority of the Group'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 Group 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 Group.

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, 2008.

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, Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager").

Substantial Shareholders

As at June 30, 2008, 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	1,593,500	17.89%	(1)
Gabriel Capital Corporation	Held by controlled corporation	1,153,558	12.95%	(1)
Ariel Fund Limited	Beneficial owner	649,219	7.29%	(1)
Mr. Hsu Sheng-yu	Held by controlled corporation	1,075,040	12.07%	(2)
Chung Chia Co., Ltd.	Beneficial owner	598,743	6.72%	(2)
Kwang Shun Co., Ltd.	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	495,000	5.56%	(5)
Shanghai International Trust Corporation	Beneficial owner	495,000	5.56%	(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)

Substantial Shareholders (Cont'd)

Notes:

- (1) Mr. J. Ezra Merkin is the General Partner of Gabriel Capital, L.P., he was deemed to be interested in 1,593,500 shares by virtue of his 100% control over Gabriel Capital Corporation and Gabriel Capital, L.P.. Besides, Gabriel Capital Corporation was also deemed to be interested in the Company through its management of Ariel Fund Limited 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 Co., Ltd. and Kwang Shun Co., Ltd..
- (3) Ms. Hsu Tsui-hua has an indirect interest in the Company through her 50% beneficial interest in Chung Chia Co., Ltd..
- (4) Ms. Chang Hsiu-yen has an indirect interest in the Company through her 50% beneficial interest in Kwang Shun Co., Ltd..
- (5) Shanghai International Group Corporation Ltd. has an indirect interest in the Company through its approximately 66.33% equity interest in Shanghai International Trust Corporation.
- (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, 2008.

Purchase, Sale and Redemption of Securities

During the six months ended June 30, 2008, 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 Mr. YICK Wing Fat, Simon (Chairman), Mr. ONG Ka Thai, Dr. HUA Min and Mr. CHEN Chi-chuan, all of whom are non-executive directors, with three of them being independent.

The Audit Committee has reviewed the Company's unaudited interim financial statements for the period ended June 30, 2008 and discussed with the management in conjunction with 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, 2008.

Corporate Governance

As from January 1, 2005, the new Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange 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, 2008, 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 11, 2008