SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

Interim Report

2009

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

Contents

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. CHEN, Chi-chuan
Mr. LEE, Tien-chi
Mr. LIN, Bin
Mr. TSENG, Ta-mon

Company Secretary

Mr. LIANG, Kwan Wah Andrew

Investment Manager

Shanghai International Asset Management (H.K.) Co., Ltd.
1707-8, 17/F, Tower 1, New World Tower,
16-18 Queen's Road Central, Hong Kong

Room 1204 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

Standard Chartered Bank (Hong Kong) Limited

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

Principal Place of Business

1707-8, 17/F, Tower 1, New World Tower,
16-18 Queen's Road Central, Hong Kong

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, 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2009

	Notes	**Unaudited Six months ended June 30, 2009 US$**	2008 US$
Investment income		**13,593**	86,545
Fair value gain on investments in redeemable convertible preference shares		**342,500**	–
Gain (loss) on sale of investments in listed securities		**71,999**	(345,701)
Exchange gain		**–**	45,639
Investment Manager's fee	*11*	**(215,519)**	(519,511)
Administrative expenses		**(159,580)**	(246,053)
Profit (loss) for the period		**52,993**	(979,081)
Other comprehensive income (expense)			
Fair value gain (loss) of available-for-sale financial assets		**90,434**	(2,237,251)
Reclassification adjustments for cumulative (gain) loss included in profit and loss upon disposal of available-for-sale financial assets		**(71,999)**	345,701
Other comprehensive income (expense) for the period		**18,435**	(1,891,550)
Total comprehensive income (expense) for the period		**71,428**	(2,870,631)
Earnings (loss) per share – basic	*6*	**0.59 cents**	(10.99) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2009

	Notes	June 30, 2009 (Unaudited) US$	December 31, 2008 (Audited) US$
Non-current assets			
Interest in an associate		**2,573,161**	2,573,161
Investments in unlisted securities		**2,500,000**	2,500,000
Investments in listed securities	*7*	**252,109**	268,995
Investments in redeemable convertible preference shares	*8*	**7,942,500**	7,600,000
		13,267,770	12,942,156
Current assets			
Investments in listed securities	*7*	**568,182**	–
Other receivables and prepayments		**747,985**	149,929
Consideration receivable from disposal of listed securities		**–**	125,649
Bank balances		**6,390,936**	8,568,022
		7,707,103	8,843,600
Current liabilities			
Accrued charges		**54,240**	41,429
Amount due to Investment Manager	*11*	**119,120**	123,742
		173,360	165,171
Net current assets		**7,533,743**	8,678,429
		20,801,513	21,620,585
Capital and reserves			
Share capital	*9*	**890,500**	890,500
Reserves		**19,911,013**	20,730,085
		20,801,513	21,620,585
Net asset value per share	*10*	**2.33**	2.43

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2009

	Share capital US$	Share premium US$	Capital reserve US$	Accumulated losses US$	Total US$
At January 1, 2009 (audited)	890,500	24,533,935	(2,316,543)	(1,487,307)	21,620,585
Fair value changes of available-for-sale investments *(Note 1)*	–	–	90,434	–	90,434
Realized on disposal of securities	–	–	(71,999)	–	(71,999)
Profit for the period	–	–	–	52,993	52,993
Total comprehensive income for the period	–	–	18,435	52,993	71,428
Transfers to capital reserve *(Note 2)*: – Gain on sale of investments in listed securities	–	–	71,999	(71,999)	–
Dividend paid	–	(890,500)	–	–	(890,500)
At June 30, 2009 (unaudited)	**890,500**	**23,643,435**	**(2,226,109)**	**(1,506,313)**	**20,801,513**
At January 1, 2008 (audited)	890,500	26,314,935	327,462	(519,931)	27,012,966
Fair value changes of available-for-sale investments *(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 comprehensive 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 (unaudited)	890,500	24,533,935	(1,909,789)	(1,153,311)	22,361,335

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 profit or loss.

2. 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 profit or loss are transferred to the capital reserve in the period in which they arise.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2009

	Unaudited Six months ended June 30, 2009 US$	2008 US$
Net cash used in operating activities	**(825,724)**	(585,960)
Net cash used in investing activities:		
Proceeds from disposal of listed securities	**1,330,100**	5,850,488
Purchase of redeemable convertible preference shares	**–**	(7,600,000)
Purchase of listed securities	**(1,790,962)**	(2,421,249)
	(460,862)	(4,170,761)
Cash used in financing activities:		
Special dividend paid	**(890,500)**	(1,781,000)
Net decrease in cash and cash equivalents	**(2,177,086)**	(6,537,721)
Cash and cash equivalents at beginning of the period	**8,568,022**	12,262,048
Cash and cash equivalents at end of the period representing bank balances	**6,390,936**	5,724,327

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of 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 34 (HKAS 34) "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on January 1, 2009.

Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, no segment information is presented as the Group has only one business activity, namely investment holding, and operates in the Greater China region only. The application of HKFRS 8 has resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions[3]
HKFRS 3 (Revised 2008)	Business combinations[1]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 18	Transfers of assets from customers[4]

[1] Effective for annual periods beginning on or after July 1, 2009.
[2] Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate.
[3] Effective for annual periods beginning on or after January 1, 2010.
[4] Effective for transfers on or after July 1, 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after January 1, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from January 1, 2009, resulted in changes as set out in note 2. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and to assess its performance. The chief operating decision makers of the Group have been identified as the Executive Directors of the Company.

Information reported to the Executive Directors of the Company for the purpose of resource allocation and performance assessment focuses more specifically on the categories as follows:

Listed securities	–	Investment in securities listed on the Hong Kong Stock Exchange
Unlisted securities	–	Investment in unlisted securities including redeemable convertible preference shares

Segment result of listed securities represented dividend income from listed securities and gain/loss on sale of investments in listed securities. Segment result of unlisted securities represented fair value gain on investments in redeemable convertible preference shares. With the nature of securities business, no segment revenue is presented.

3. **SEGMENT INFORMATION** *(Cont'd)*

Information regarding these segments is presented below. The segment results reported for the prior period have been presented to conform with the requirements of HKFRS 8.

Six months ended June 30, 2009

	Listed securities US$	Unlisted securities US$	Total US$
Segment result	**84,019**	**342,500**	**426,519**
Interest income from term deposits			**1,573**
Unallocated corporate expenses			**(375,099)**
Profit for the period			**52,993**

Six months ended June 30, 2008

	Listed securities US$	Unlisted securities US$	Total US$
Segment result	(303,036)	–	(303,036)
Interest income from term deposits			43,880
Unallocated other income			45,639
Unallocated corporate expenses			(765,564)
Loss for the period			(979,081)

The following is an analysis of the Group's assets by operating segment:

	June 30, 2009 US$	December 31, 2008 US$
Listed securities	**820,291**	268,995
Unlisted securities	**13,015,661**	12,673,161
Total segment assets	**13,835,952**	12,942,156

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:

	Six months ended June 30, 2009 US$	2008 US$
2008 special final dividend – US$0.10 per share (2007: US$0.20 per share) from the share premium account	**890,500**	1,781,000

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2009 (2008: Nil).

6. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of basic earnings (loss) per share is based on the profit for the period of US$52,993 (loss for the six months ended June 30, 2008: US$979,081) and 8,905,000 (for the six months ended June 30, 2008: 8,905,000) ordinary shares in issue.

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

7. INVESTMENTS IN LISTED SECURITIES

	June 30, 2009 US$	December 31, 2008 US$
Listed securities, at fair value:		
Shares listed in Hong Kong	**820,291**	268,995

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, 2009 US$	December 31, 2008 US$
Series A-1 Preference Shares in Grandpro Technology Limited ("Grandpro")	**2,942,500**	2,600,000
Series B Preferred Shares in Global Market Group Limited ("GMG")	**5,000,000**	5,000,000
	7,942,500	7,600,000

In 2008, the Company had acquired 2,600,000 Series A-1 Preference Shares in Grandpro (the "Grandpro Preference Shares") and 1,530,769 Series B Preferred Shares in GMG (the "GMG Preference Shares") (collectively the "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 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 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%, repayable over the subsequent three years and will bear interest at 8% per annum as from that date.

The Board is of the opinion that the chances of converting the Preference Shares into their respective listed ordinary shares are remote as both investee companies have no firm listing plan up to the date of this report. For Grandpro Preference Shares, the fair value of the embedded conversion option is minimal. The fair value of the host loan component is determined using the discounted cash flow model. At June 30, 2009, this investment is stated at fair value.

For GMG Preference Shares, it is stated at cost less impairment losses at balance sheet date because the range of reasonable fair value estimates of the conversion option component is so diverse that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

9. SHARE CAPITAL

	Number of ordinary shares of US$0.1 each	Share capital US$
Authorized:		
At December 31, 2008 and June 30, 2009	18,000,000	1,800,000
Issued and fully paid:		
At December 31, 2008 and June 30, 2009	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, 2009 of US$20,801,513 (at December 31, 2008: US$21,620,585) and on the 8,905,000 (at December 31, 2008: 8,905,000) ordinary shares in issue as at June 30, 2009.

11. RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
	2009	2008
	US$	US$
Investment management and administration fees paid and payable to Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager")	**215,519**	258,216
Incentive fee paid to the Investment Manager	**–**	261,295
	215,519	519,511

	June 30, 2009 US$	December 31, 2008 US$
Amount due to Investment Manager	**119,120**	123,742

11. RELATED PARTY TRANSACTIONS *(Cont'd)*

In accordance with the terms of the investment management agreement and the five supplemental agreements (collectively the "Investment Management 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 prior period the Company paid an incentive fee in relation to performance to the Investment Manager amounting to US$261,295, in accordance with the terms of the Investment Management Agreements.

The Investment Manager is entitled to an incentive fee equal to 15% of the excess amount by which the net asset value of the Group as at December 31 of each year exceeding 115% of the net asset value of the Group as at December 31 of the immediately preceding year.

Amount due to Investment Manager is unsecured, interest free, repayable on demand and is denominated in US$.

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 18, 2009.

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

Introduction

We have reviewed the interim financial information set out on pages 3 to 13 which comprises the condensed consolidated statement of financial position of Shanghai International Shanghai Growth Investment Limited as of June 30, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for 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 of 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 inquiries, 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 18, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an unaudited profit of US$52,993 for the six months ended June 30, 2009 (loss for the six months ended June 30, 2008: US$979,081). In view of significant correction in stock markets in 2008, the Group exited from most of its listed securities portfolio before the onset of the financial turmoil. The Group started with a new listed investments portfolio at the beginning of 2009 with a conservative approach in investment. Therefore, dividend income received by the Group from listed investments during the period amounted to US$12,020 (2008: US$42,665), less than that for the same period last year. Nonetheless, the Group recorded a net gain of US$90,434 on its listed investments for the first half of 2009 versus a net loss of US$2,237,251 in the same period of 2008. As for unlisted investments, no dividend income was recorded in both periods since new investments were made in the fourth quarter of 2007 and 2008. A fair value gain of US$342,500 on investment in redeemable convertible preference shares was recognized in the current period.

In May 2009, the Company paid its shareholders a special final dividend of US$0.10 per share for 2008. As at June 30, 2009, the Group's net asset value ("NAV") per share was US$2.33 after such dividend distribution, a 4% decrease compared with US$2.43 at the end of 2008.

Economic Review

In the beginning of 2009, the US equity capital market tumbled as a result of a number of collapsing multinational corporations in the US despite the government injecting rounds of capital into troubled banks and the financial system, unemployment rate rose to 9.5% in June, which was at the highest level since the early 80's. Together with a negative 3.9% year-on-year ("YoY") GDP growth for the second quarter, the US economy is showing no sign of a speedy recovery. The S&P Index once dropped below 700 in March and closed at 919.32 at the end of June 2009, a mere 1.78% above that at the end of 2008. Dow Jones Industrial Average however dropped 3.75% and closed at 8,447 at the end of June 2009.

Economic Review *(Cont'd)*

In China, GDP growth also dropped to 6.1% in the first quarter, with a recovery to 7.9% in the second quarter 2009. The direction of shifting its economic reliance from exports to domestic consumption had taken effect, considering the Shanghai A-Shares Index rebounded by over 60%, reaching the 3,000 mark by the end of the first half of 2009. The Chinese central government rolled out policies such as subsidies for households in the rural areas to purchase white goods, contracting out infrastructure projects for creating jobs – these are part of the stimulus package that would and have sustained China's economic growth. As a result, retail sales YoY growth percentage remained in double digits, 15.2% in June.

In Hong Kong, the capital market was supported by consistent hot money inflow, as the Hong Kong dollar has been leaning towards the stronger side against the US dollar since mid-March. Approaching the end of June, there was a re-igniting of the primary market given a few Initial Public Offerings ("IPO") launched with great level of oversubscriptions.

Relevant stock markets' performance in the first half of 2009

Indices	June 30, 2009	December 31, 2008	Change
HSI – *Hang Seng Index*	18,378.73	14,387.48	27.74%
HSCEI – *Hang Seng China Enterprises Index*	10,962.61	7,891.80	38.91%
HSCCI – *Hang Seng China-Affiliated Corporations (Red Chip) Index*	3,820.14	3,292.40	16.03%
Shanghai A – *Shanghai A-Share Stock Price Index*	3,106.58	1,911.79	62.50%
Shenzhen A – *Shenzhen A-Share Stock Price Index*	1,010.41	581.51	73.76%
TAIEX – *Taiwan Exchange Index*	6,432.16	4,591.22	40.10%
DOW JONES – *Dow Jones Industrial Average Index*	8,447.00	8,776.39	-3.75%
S&P 500 – *Standard and Poor's 500 Index*	919.32	903.25	1.78%
NASDAQ – *NASDAQ Composite Index*	1,835.04	1,577.03	16.36%

Source: Bloomberg

Investments Review

Portfolio Allocation

	June 30, 2009	December 31, 2008
Unlisted investments	**63%**	59%
Listed investments	**4%**	1%
Cash and cash equivalents	**33%**	40%
Total	**100%**	100%

Unlisted Investments

In the first half of 2009, the Investment Manager examined a total of twenty one investment projects, with sectors coverage of retail, food and beverage, manufacturing, electronics and solar energy. Most of these investment projects were being evaluated, visited and classified for future follow-up. However, no new project has been invested by the Company. A fair value gain of US$342,500 on investment in redeemable convertible preference shares was recognized in the current period.

Raffles International Investment Ltd. ("Raffles")

In September 2007, the Company subscribed for a 22.73% equity interest in Raffles for a consideration of HK$20 million, equivalent to approximately US$2,573,506. Raffles is a single purpose investment vehicle in raising HK$88 million for the purchase of a 10.48% equity share in Tongrui Holding Limited ("Tongrui"). After a couple of rounds of additional capital injection in Tongrui at higher valuations, Raffles' equity interest in Tongrui had been diluted to 8.64%. Accordingly, the Company's indirect equity interest in Tongrui is 1.96%.

Tongrui, an investment holding company incorporated in the British Virgin Islands, wholly-owns Wuxi Ruinian Enterprise Company Limited ("Wuxi Ruinian"), a health care products manufacturer registered in the Mainland.

Unlisted Investments *(Cont'd)*

Raffles International Investment Ltd. ("Raffles") *(Cont'd)*

Besides the effect caused by the global economic crisis, Wuxi Ruinian's sales was also subjected to a contraction in the demand for health supplements, therefore Wuxi Ruinian was not able to further extend its sales and marketing campaign. Sales of core products such as amino-acid tablets and oral solution both dropped, by 41% and 78% respectively. In contrast, herbal tea products did not suffer as much as its other products, with only a slight drop in sales by 6%. Due to the drastic drop in sales of amino-acid tablets, which have the highest profit margin among all its products, Wuxi Ruinian's profit dropped significantly as a result. Nonetheless, sales in June 2009 recovered to the pre-financial crisis level, a year-on-year growth of 5%. Increasing orders were received for the second quarter; a turnaround in the second half should be well expected.

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, a company incorporated in the Cayman Islands in 2007, is currently holding a 100% stake in South Polar Lights Steel (Shanghai) Company Limited ("SPLS"), which is engaged in the production of galvanized steel.

The steel industry went through a critical low trough during the financial turmoil; SPLS was able to take this opportunity to upgrade its existing galvanizing facilities in the first 4 months of 2009. The first upgraded production was launched in May 2009. The upgrade will increase production of galvanized steel with improved strength, thickness and galvanization and expects to enhance competitiveness and profit margin.

Due to the 4 months suspended production for upgrade re-engineering, with sales of new products recommencing in May 2009, coupled with an injection of capital by shareholders in June and the recovery in the steel industry, the management of SPSL will strive to achieve the 95,000 tonnes production and sales plan, with a target to a turn around by the end of this year.

Unlisted Investments *(Cont'd)*

Grandpro Technology Limited ("Grandpro")

In January 2008, the Company acquired 260 Series A-1 Preference Shares in Grandpro ("Grandpro Preference Shares") for a consideration of US$2.6 million, representing approximately a 2.17% equity stake. On August 1, 2008, the Grandpro Preference Shares were enlarged to 2,600,000 shares subsequent to a sub-division of Grandpro's shares to US$0.0001 per share. Pursuant to investment terms, 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. The performance of redemption is guaranteed by the controlling shareholder of Grandpro, Shanda Interactive Entertainment Limited, a company listed on the NASDAQ, USA.

Grandpro was incorporated in the British Virgin Islands as a limited liability company in 2004. Its wholly-owned subsidiary, Grandpro Information Technology (Shanghai) Company Limited, and another entity Shanghai Holdfast Online Information Technology Co., Ltd., are collectively referred to as the "Haofang Company". Both companies are registered in the PRC with their main operations in Pudong, Shanghai.

Haofang Company is principally engaged in the development and operation of online game platform. Haofang Company had developed from its core electronic games platform to become an integrated internet platform encompassing media, entertainment, on-line game, anti-virus, advertising and discussion forum services.

Due to unsatisfactory revenue growth in the game platform segment, Grandpro adjusted its business strategy by establishing online gamers communities, this can encourage competition between communities and gamers as individuals. Through its tools and games sales, Grandpro plans to achieve sustainable growth in revenue through this platform, as well as advertisement revenue.

A fair value gain of US$342,500 was recognized on this investment for the period under review.

Unlisted Investments *(Cont'd)*

Global Market Group Limited ("GMG")

In March 2008, the Company acquired 1,530,769 Series B Preferred Shares in GMG ("GMG Preferred Shares") for a consideration of US$5 million. The Company's investment represented approximately 8.47% equity interest in GMG. The GMG Preferred Shares are convertible into ordinary shares of GMG upon the listing of its shares on a recognized stock exchange or are redeemable at 100% should listing of its shares not be consummated by the end of 2011, with an interest of 8% p.a. as from that date, payable over the subsequent three years.

GMG is a leading B2B internet trading service provider in the PRC. It focuses on providing an international trading service platform for high-end quality export manufacturers in China and international buyers.

In the first half of 2009, GMG strengthened its marketing strategy, focused on 15 industries, such as furniture, hardware and building materials, and a total of 20,000 quality exporters, together with 3,000 quality international buyers. Despite weakened exports in the first half of 2009, increasing number of contracts were signed in June, the management is very positive on the prospect that exports will pick up in the second half.

In May 2009, GMG was recognized as a role model of e-commerce in Guangzhou City, and was awarded a cash prize of RMB3 million for its continued IT developments. In the same month, in the influential event of The 12th China International E-Commerce Conference in Beijing, GMG was awarded as the "The Most Commercially Valuable Business in China's 10 Years Development in E-Commerce".

Listed Investments

For the first half of 2009, the Company's listed securities portfolio recorded a gain of 2.86% while the Hang Seng Index was up 27.74%. As the US economy was congested with inconsistent economic indicators, the Investment Manger therefore adopted a strategy with emphasis on capital preservation. Nonetheless, the Investment Manager has gradually increased the Company's investment position in June 2009 in order to ride on the bottom-out trend of the equity market.

Prospects

For the second half of 2009, the Investment Manager expects the equity capital market will partly restore its momentum and some undervalued stocks will rebound. Market risks will stay high, although many listed companies' fundamentals remain strong. The US economy will remain as a concern to the globe, the consequence of increased supply could be a depreciation of the US dollar. This will affect the US dollar-pegged Hong Kong dollar directly, causing a possible depreciation of the Hong Kong dollar against other currencies. However, investment sentiment will become positive as many postponed IPOs had been reinitiated and scheduled for listing in the second half of 2009.

Going forward, the Company will maintain a high alertness for signs of economic recovery. The Investment Manager will continue to conduct due diligence reviews on new projects and closely monitor all invested projects. The change in equity market sentiment offers an opportunity for a consideration of asset reallocation. Consequently, the investment portfolio can be more diversified with less exposure to industry risks.

Liquidity, Financial Resources, Gearing and Capital Commitment

The Group's bank balances as of June 30, 2009 were US$6,390,936 (December 31, 2008: US$8,568,022), of which US$787,789 (December 31, 2008: US$788,156) 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 versus the US dollar has no significant change during 2009. The Company had changed its custodian to Standard Chartered Bank (Hong Kong) Limited effective January 1, 2009.

The Group did not have any bank borrowing or capital commitment on its unlisted investments at end of June 2009 and December 2008 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.

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, 2009.

Directors' Interest in Contracts

Other than the Investment Management Agreements 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, 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, 2009, 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.

Substantial Shareholders *(Cont'd)*

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. Bart M. Schwartz	Receiver of Gabriel Capital, L.P. and Ariel Fund Limited	1,068,657	12.00%	*(1)*
Mr. J. Ezra Merkin	Held by controlled corporation	494,843	5.56%	*(1)*
Gabriel Capital Corporation	Held by controlled corporation	1,131,841	12.71%	*(1)*
Ariel Fund Limited	Beneficial owner	636,998	7.15%	*(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)*

Notes:

(1) On May 29, 2009, Mr. Bart M. Schwartz ("Receiver") was appointed as the receiver of Gabriel Capital, L. P. and Ariel Fund Limited, each of them were holding 431,659 shares and 636,998 shares of the Company respectively. Mr. J. Erza Merkin's indirect interests in the Company were reduced to 494,843 shares by virtue of his 100% control over Gabriel Capital Corporation. Besides, Gabriel Capital Corporation was also deemed to be indirectly interested in the Company through its management of Ariel Fund Limited.

(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 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.

Substantial Shareholders *(Cont'd)*

Other than as 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, 2009.

Purchase, Sale and Redemption of Securities

During the six months ended June 30, 2009, 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, 2009 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, 2009.

Corporate Governance

The Company continues to improve its corporate governance practices and has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the reporting period.

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

Hong Kong, September 18, 2009