

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

Interim Report
2010

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. CHEN, Chi-chuan
Mr. LEE, Tien-chieh
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

Auditor

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 for the six months ended June 30, 2010.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010

	Notes	Unaudited	
		Six months ended June 30, 2010 US\$	2009 US\$
Investment income		873,570	13,593
Fair value gain on investments in redeemable convertible preference shares		127,838	342,500
Gain on sale of investments in listed securities		24,528	71,999
Share of result of an associate		748,086	–
Investment Manager’s fee	12	(973,855)	(215,519)
Administrative expenses		(175,264)	(159,580)
Profit for the period		624,903	52,993
Other comprehensive income			
Share of fair value gain on available-for-sale financial assets of an associate		6,540,062	–
Fair value gain of available-for-sale investments		246,200	90,434
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		(24,528)	(71,999)
Other comprehensive income for the period		6,761,734	18,435
Total comprehensive income for the period		7,386,637	71,428
Earnings per share – basic	6	7.02 cents	0.59 cents

CONDENSED STATEMENT OF FINANCIAL POSITION*As at June 30, 2010*

		June 30, 2010 (Unaudited) US\$	December 31, 2009 (Audited) US\$
	<i>Notes</i>		
Non-current assets			
Interest in an associate	9	9,115,832	2,572,388
Investments in unlisted securities		2,500,000	2,500,000
Investments in listed securities	7	3,467,229	389,306
Investments in redeemable convertible preference shares	8	5,847,458	5,000,000
		20,930,519	10,461,694
Current assets			
Investments in redeemable convertible preference shares	8	3,228,338	3,100,500
Prepayments		168,886	148,296
Consideration receivable from disposal of securities		101,403	439,354
Bank balances		4,463,484	7,455,137
		7,962,111	11,143,287
Current liabilities			
Accrued charges		784,003	27,942
Amount due to Investment Manager	12	161,651	126,200
		945,654	154,142
Net current assets		7,016,457	10,989,145
		27,946,976	21,450,839
Capital and reserves			
Share capital	10	890,500	890,500
Reserves		27,056,476	20,560,339
		27,946,976	21,450,839
Net asset value per share	11	3.14	2.41

CONDENSED STATEMENT OF CHANGES IN EQUITY*For the six months ended June 30, 2010*

	Share capital US\$	Share premium US\$	Capital reserve US\$	Accumulated losses US\$	Total US\$
At January 1, 2010 (audited)	890,500	23,643,435	(875,964)	(2,207,132)	21,450,839
Fair value changes of available-for-sale investments (Note 1)	-	-	246,200	-	246,200
Realized on disposal of listed securities	-	-	(24,528)	-	(24,528)
Share of fair value gain on available-for-sale financial assets of an associate	-	-	6,540,062	-	6,540,062
Profit for the period	-	-	-	624,903	624,903
Total comprehensive income for the period	-	-	6,761,734	624,903	7,386,637
Transfers to capital reserve (Note 2):					
- Gain on sale of investments in listed securities	-	-	24,528	(24,528)	-
- Share of result of an associate	-	-	748,086	(748,086)	-
- Fair value gain on investments in redeemable convertible preference shares	-	-	127,838	(127,838)	-
Dividend paid	-	(890,500)	-	-	(890,500)
At June 30, 2010 (unaudited)	890,500	22,752,935	6,786,222	(2,482,681)	27,946,976
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 listed 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

Notes:

- For securities that are classified as available-for-sale investments, fair value changes are dealt with in the capital reserve until the securities are sold or determined to be impaired, at which time the cumulative gain or loss will be reclassified to profit or loss.
- As required by the Company's Articles of Association, gains and losses on realization and revaluation of investments 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 capital reserve in the period in which they arise.

CONDENSED STATEMENT OF CASH FLOWS*For the six months ended June 30, 2010*

	Unaudited	
	Six months ended June 30,	
	2010	2009
	US\$	US\$
Net cash generated from (used in) operating activities	494,253	(825,724)
Net cash used in investing activities:		
Dividend received from an associate	745,822	–
Proceeds from disposal of listed securities	1,085,224	1,330,100
Proceeds from disposal of unlisted securities	439,354	–
Purchase of redeemable convertible preference shares	(847,458)	–
Purchase of listed securities	(4,018,348)	(1,790,962)
	(2,595,406)	(460,862)
Cash used in financing activities:		
Special dividend paid	(890,500)	(890,500)
Net decrease in cash and cash equivalents	(2,991,653)	(2,177,086)
Cash and cash equivalents at beginning of the period	7,455,137	8,568,022
Cash and cash equivalents at end of the period representing bank balances	4,463,484	6,390,936

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

1. BASIS OF PREPARATION

The condensed 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2009.

In the current interim period, the Company 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 Company's financial year beginning on January 1, 2010.

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

The application of new and revised HKFRSs had no effect on condensed financial statements of the Company for the current or prior accounting periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

² Effective for annual periods beginning on or after February 1, 2010.

³ Effective for annual periods beginning on or after July 1, 2010.

⁴ Effective for annual periods beginning on or after January 1, 2011.

⁵ Effective for annual periods beginning on or after January 1, 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Company.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended June 30, 2010***3. SEGMENT INFORMATION**

The chief operating decision makers of the Company 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	–	Investments in securities listed on relevant stock exchanges
Unlisted securities	–	Investments in unlisted securities, redeemable convertible preference shares and interest in an associate

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, dividend income from redeemable convertible preference shares and share of result of an associate. In view of the nature of securities business, no segment revenue is presented.

Information regarding these segments is presented below.

Six months ended June 30, 2010

	Listed securities US\$	Unlisted securities US\$	Total US\$
Segment result	49,822	1,723,382	1,773,204
Interest income from term deposits			818
Unallocated corporate expenses			(1,149,119)
Profit for the period			624,903

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended June 30, 2010***3. SEGMENT INFORMATION** (Cont'd)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

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

	June 30, 2010 US\$	December 31, 2009 US\$
Listed securities	3,467,229	389,306
Unlisted securities	20,691,628	13,172,888
Total segment assets	24,158,857	13,562,194
Unallocated assets	4,733,773	8,042,787
Total assets	28,892,630	21,604,981

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than prepayments, consideration receivable from disposal of securities and bank balances.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

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,	
	2010	2009
	US\$	US\$
2009 special final dividend – US\$0.10 per share (2008: US\$0.10 per share) from the share premium account	890,500	890,500
	890,500	890,500

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2010 (2009: Nil).

6. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period of US\$624,903 (2009: US\$52,993) and 8,905,000 (2009: 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, 2010 US\$	December 31, 2009 US\$
Listed securities, at fair value:		
Shares listed in Hong Kong	1,871,715	389,306
Shares listed in Taiwan	1,595,514	–
	3,467,229	389,306

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

7. INVESTMENTS IN LISTED SECURITIES (Cont'd)

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.

The shares listed in Taiwan were acquired under a private placement subscription in May 2010 and are subject to a maximum of three-year lock-up restriction under the rules of relevant jurisdiction.

8. INVESTMENTS IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	June 30, 2010 US\$	December 31, 2009 US\$
Series A Preference Shares in Grandpro Technology Limited ("Grandpro")	3,228,338	3,100,500
Series A and B Preferred Shares in Global Market Group Limited ("GMG")	5,847,458	5,000,000
	9,075,796	8,100,500

In 2008, the Company acquired 2,600,000 Series A 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. In November 2009, the GMG Preference Shares were enlarged to 38,269,225 shares subsequent to a sub-division of GMG's shares.

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 if the amount is not being settled at date of redemption. On June 2, 2010, the Company acquired additional 3,058,692 Series A Preferred Shares and 2,346,572 Series B Preferred shares in GMG from other existing shareholders of GMG for a consideration of US\$847,458 by investing special discretionary cash dividend paid by GMG in 2010, both Series A and B Preferred Shares carried the same terms and conditions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2010

8. INVESTMENTS IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES (Cont'd)

The Board is of the opinion that the chances of converting the Grandpro Preference Shares into their respective listed ordinary shares are remote as the 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 these preference shares is determined using the redemption value approach. In the opinion of the directors, at June 30, 2010, this investment is stated at fair value.

For GMG Preference Shares, it is stated at cost less impairment losses, if any, at the end of the reporting period 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. INTEREST IN AN ASSOCIATE

The sole investment held by the associate represents 8.64% equity interest in Tongrui Holdings Limited ("Tongrui"), which was classified as available-for-sale investment and measured at cost. For the purpose of listing of shares, Ruinian International Limited ("RIL") was established to acquire the entire interests in Tongrui and its subsidiaries. On February 1, 2010, the associate was allotted equivalent shares in RIL in exchange for the entire interest in Tongrui held by the associate, and the shares of RIL were listed on the Main Board of The Hong Kong Stock Exchange Limited on February 19, 2010.

Upon the listing of shares in RIL, the reliable measurement on the associate's investment, being the market bid price on RIL's shares, become available. The increase in the interest in an associate was mainly attributable to measuring RIL's shares at the market bid price whilst the associate's interest in Tongrui was measured at cost less impairment.

10. SHARE CAPITAL

	Number of ordinary shares of US\$0.1 each	Share capital US\$
Authorized:		
At December 31, 2009 and June 30, 2010	18,000,000	1,800,000
Issued and fully paid:		
At December 31, 2009 and June 30, 2010	8,905,000	890,500

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended June 30, 2010***11. 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, 2010 of US\$27,946,976 (at December 31, 2009: US\$21,450,839) and on the 8,905,000 (at December 31, 2009: 8,905,000) ordinary shares in issue as at June 30, 2010.

12. RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
	2010	2009
	US\$	US\$
Investment management and administration fees paid and payable to Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager")	237,135	215,519
Provision for incentive fee to the Investment Manager	736,720	–
	973,855	215,519
	June 30,	December 31,
	2010	2009
	US\$	US\$
Amount due to Investment Manager	161,651	126,200

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 Company calculated on the last business day of the previous quarter.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended June 30, 2010***12. RELATED PARTY TRANSACTIONS (Cont'd)**

In addition, during the period the Company provided an incentive fee in relation to performance to the Investment Manager amounting to US\$736,720, 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 Company as at December 31 of each year exceeding 115% of the net asset value of the Company 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.

13. APPROVAL OF CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved and authorized for issue by the Board of the Company on August 20, 2010.

INDEPENDENT AUDITOR'S 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 15 which comprises the condensed statement of financial position of Shanghai International Shanghai Growth Investment Limited (the "Company") as of June 30, 2010 and the related condensed 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company 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
August 20, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company recorded an unaudited profit of US\$624,903 for the six months ended June 30, 2010 (2009: US\$52,993). The growth in profits is mainly attributed to dividend income from redeemable convertible preference share investment and share of results of an associate. The unlisted securities investment of the Company's associate became listed on the Stock Exchange of Hong Kong Limited in the first quarter of 2010. The fair value of such listed investment has since increased significantly and, at the end of June 2010, the Company recorded its share of fair value gain therein of US\$6,540,062, resulting in a significant improvement to the Company's total comprehensive income for the six-month period ended June 30, 2010 to US\$7,386,637 (2009: US\$71,428). For unlisted investments, special dividend income of US\$847,458 was received from a redeemable convertible preference share investment which was fully applied for acquisition of additional shares in the same investment.

In June 2010, the Company paid its shareholders a special final dividend of US\$0.10 per share for 2009. As at June 30, 2010, the Company's net asset value ("NAV") per share was US\$3.14 after such dividend distribution, a 30% improvement compared with US\$2.41 at the end of 2009.

Economic Review

In the first half of 2010, the financial crisis in Greece had caused panic across the EU as well as the world. The Euro was under pressure and was down by over 16% against the US dollar. On the US side, the Dow Jones Index was down by 7.55% at the half-year mark, due to a slower-than-expected economic recovery and the flow-on effects from the Greek crisis.

In China, the government determined to keep the property market under control, by rolling out policies and measures such as tightening mortgages and restricting banks in approving third home mortgages. Policies and measures were taking effect in the second quarter of this year, when the GDP year-on-year growth dropped from first quarter's 11.9% to 10.3%, with 11% for the first half of 2010. The cool down in the property market has led other directly and indirectly related sectors grow sluggishly. Exports did not show any sign of a speedy recovery, as Europe and the Americas were not in good shape either. The CSI 300 dropped over 28% in the first half of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review *(Cont'd)*

In Hong Kong, there were signs of hot money outflow, based on the Hong Kong dollar trading at the upper end against the US dollar. That could be explained by a low number of IPO cases in the first half of 2010, though not entirely. The stock market was heavily under the influence of both the US and China markets, which caused the Hang Seng Index to fluctuate significantly.

Relevant stock markets' performance in the first half of 2010

Indices	June 30, December 31,		Change
	2010	2009	
HSI – <i>Hang Seng Index</i>	20,128.99	21,872.50	-7.97%
HSCEI – <i>Hang Seng China Enterprises Index</i>	11,466.24	12,794.13	-10.38%
HSCCI – <i>Hang Seng China-Affiliated Corporations (Red Chip) Index</i>	3,818.46	4,059.89	-5.95%
Shanghai A – <i>Shanghai A-Share Stock Price Index</i>	2,514.16	3,437.46	-26.86%
Shenzhen A – <i>Shenzhen A-Share Stock Price Index</i>	990.43	1,261.26	-21.47%
SHSN300 Index – <i>CSI 300 Index</i>	2,563.07	3,575.68	-28.32%
TAIEX – <i>Taiwan Exchange Index</i>	7,329.37	8,188.11	-10.48%
DOW JONES – <i>Dow Jones Industrial Average Index</i>	9,774.02	10,428.05	-6.27%
S&P 500 – <i>Standard and Poor's 500 Index</i>	1,030.71	1,115.10	-7.57%
NASDAQ – <i>NASDAQ Composite Index</i>	2,109.24	2,269.15	-7.05%

Source: Bloomberg

MANAGEMENT DISCUSSION AND ANALYSIS

Investments Review

Portfolio Allocation

	June 30, 2010	December 31, 2009
Listed investments	12%	2%
Unlisted investments	74%	61%
Cash and cash equivalents	14%	37%
Total	100%	100%

Listed Investments

In the first half of 2010, the Company's listed securities portfolio recorded a loss of 1.64% while the Hang Seng Index was down by 7.97%. The Investment Manager considered the uncertainties over in Europe, slow recovery in the US economy and Chinese government measures to tighten property market and decided to carefully reallocate assets and picked on more defensive play sectors and stocks. As a result, the listed securities portfolio slightly outperformed the market return.

Unlisted Investments

In the first half of 2010, the Investment Manager examined a large number of investment projects, sectors covered include medical equipment, bio-chips, healthcare, IC chips and Internet businesses. Progress monitoring and follow ups have been maintained on some of these projects. Among which, the Company invested in C-Media Electronics Inc.'s (stock code 6237.TW) ("C-Media") common shares for a consideration of US\$1.2 million in May 2010. Such shares are subject to a maximum of three-year lockup restriction.

Besides, the unlisted investment made through Raffles International Investment Ltd., the Company's associate, was successfully listed on the Main Board of the Hong Kong Stock Exchange in February 2010 (stock code 2010.HK). Significant fair value gain on this investment was recorded at the end of June 2010 whilst the listed shares are subject to a six-month lockup restriction.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

Existing Investments

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 injections 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 Industry & Commerce Co. Ltd. (“Wuxi Ruinian”), a health care products manufacturer registered in the Mainland. Wuxi Ruinian has a long history in the PRC health care industry and was one of the first companies that was granted GMP license in China to manufacture high-end modern health care products. Ruinian retained the high-end amino acid tablet as its core business, together with reinforcement from other popular health products.

In February 2010, Ruinian group of companies was restructured to Ruinian International Ltd. (“RIL”), and acquired the entire share capital of Tongrui from its then shareholders. Raffles was allotted 64,795,333 shares in RIL in exchange for its equity interest in Tongrui. The shares of RIL were successfully listed on the Main Board of the Hong Kong Stock Exchange on February 19, 2010 (stock code 2010.HK). The Company received dividends of US\$745,000 from Raffles, being net gain from partial sale of old shares upon the listing of RIL. Raffles’ remaining holding of RIL’s listed shares is subject to a six-month lockup period during which no transfer or disposal of shares is allowed.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

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. In 2009, shareholders of CMT injected another US\$5 million of capital; the Company's interest in CMT has thus been diluted to 3.36 %.

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”). SPLS is a PRC registered company which is engaged in the production of galvanized steel, with its business situated in the region of Baoshan, Shanghai, a core region for producing, distributing and trading steel to Eastern China. SPLS' first stage planned annual production capacity is 300,000 tons of hot-rolled galvanized steel and 600,000 tons of pickling rolls. Its first stage products focused on the market dominated hot-rolled galvanized steel (1.5mm-4.5mm).

Since the first quarter of 2010, selling price of galvanized steel became stable, positive effects from economies of scale had begun to emerge with operating results of positive net incomes for five consecutive months. However, from the aspect of markets, domestic demand environment did not show any significant improvement, accordingly SPLS's sales had been focused on exporting, which contributed a higher profit margin.

SPLS is progressing with its capital-raising plan, in addition to continued efforts in seeking new debt financing.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

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, 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.

In the first half of 2010, the online games platform recorded continued growth in both registered users and online users, owing to the ever advancing platform and value-added functions with the up-to-date version 5.4 platform. On the league union platform side, the recruitment of cooperative unions and new competition events have been carried out continuously, for the purpose of boosting revenue from union platform to be a major income source, to achieve a stable growth over last year.

The fair value of Grandpro at the end of June 2010 was assessed at US\$3,228,338, resulting in a fair value gain of US\$127,338 for the first half of 2010.

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. In November 2009, the GMG Preferred Shares were enlarged to 38,269,225 shares subsequent to a sub-division of GMG’s shares to US\$0.0004 per share. 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. In June 2010, GMG paid out special dividends to its shareholders and the Company reinvested its dividend entitlement of US\$847,458 for additional GMG Preferred Shares to increase its equity interest to 9.67%.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

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

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 2010, GMG revised its development strategy by focusing on perfecting the B2B electronic business platform and sales team, which resulted in higher contract values.

New Investment

C-Media Electronics Inc. (“C-Media”)

In May 2010, the Company participated in a private placement launched by C-Media (stock code 6237.TW) by subscribing for 1 million new shares in C-Media at an investment cost of US\$1.2 million approximately. The common shares of C-Media are currently listed on the Taiwan GreTai Securities Market where the new shares will also be traded. By nature of this private placement, the subscribed shares are subject to a three-year lockup restriction.

C-Media specializes in designing and manufacturing of audio ICs. With the combined force of one of its strategic shareholders, together they take up over 80% global market share in personal computers sound card business. Apart from maintaining a steady growth in their traditional businesses, C-Media is planning to develop three new product lines such as noise reduction (ENC) technology, karaoke video and sound technology for low budget mobile phones co-development with another Taiwan listed company, and the increasingly popular mobile lottery services co-development with a Hong Kong listed company. These new product developments are expected to generate significant growth in C-Media’s future revenue and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Going forward, the Investment Manager will monitor closely any changes in China's home mortgage policies and the possible appreciation of the Renminbi ("RMB"). Both the banking and property sectors will be heavily affected by any further tightening in home mortgage measures. The possible appreciation of the RMB would not enhance the already decreased export figures as industries reliant on exports would experience some adverse impacts.

The Company will continue its careful strategy as adopted in the first half. It would also consider exploring possibilities of investing in capital markets in the Greater China region other than the Hong Kong stock market only.

Liquidity, Financial Resources, Gearing and Capital Commitment

The Company's bank balances as of June 30, 2010 were US\$4,463,484 (December 31, 2009: US\$7,455,137), of which US\$793,516 (December 31, 2009: US\$788,239) 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 the first half of 2010. The Company's custodian is Standard Chartered Bank (Hong Kong) Limited effective January 1, 2009.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at the end of June 2010 and December 2009 respectively.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Except for the RMB bank deposit, 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.

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, 2010.

Directors' Interest in Contracts

Other than the Investment Management Agreement described in note 12 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, 2010, 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.

OTHER INFORMATION

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	1,071,040	12.02%	(2)
Chung Chia Co., Ltd.	Beneficial owner	598,743	6.72%	(2)
Kwang Shun Co., Ltd.	Beneficial owner	472,297	5.30%	(2)
Ms. Hsu Tsui-hua	Held by controlled corporation	598,743	6.72%	(3)
Ms. Chang Hsiu-yen	Held by controlled corporation	472,297	5.30%	(4)
Shanghai International Group Corporation Ltd.	Held by controlled corporation	495,000	5.56%	(5)
Shanghai International Trust Corporation Ltd.	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	584,752	6.57%	(6)
Ruentex Development Co., Ltd.	Held by controlled corporation	555,752	6.24%	(7)

Notes:

- (1) Mr. Bart M. Schwartz was appointed on May 29, 2009 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..

OTHER INFORMATION

Substantial Shareholders (Cont'd)

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

Other than disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at June 30, 2010.

Purchase, Sale and Redemption of Securities

During the six months ended June 30, 2010, 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, 2010 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.

OTHER INFORMATION

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, 2010.

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, August 20, 2010