

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

Interim Report
2011

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. TSENG, Ta-mon
Dr. ZHU, Zhongqun

Company Secretary

Mr. LIANG, Kwan Wah Andrew

Investment Manager

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

In Hong Kong:

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

In Shanghai:

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New Shanghai International Tower
360 Pudong Road (S.)
Shanghai 200120, China

Legal Advisers

In Hong Kong:

Charltons Solicitors & Notary Public

In the Cayman Islands:

Maples and Calder

Auditors

Ernst & Young

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

P.O. Box 309, Uglad House
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business

Room 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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(An exempted company incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 3 to 17, which comprise the condensed statement of financial position of Shanghai International Shanghai Growth Investment Limited (the "Company") as at 30 June 2011 and the related condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The 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 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. Our report is made 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.

Ernst & Young

Certified Public Accountants

Hong Kong
4 August 2011

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	US\$	US\$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income		22,995	818
Dividend income		21,225	872,752
Net (loss)/gain on financial assets at fair value through profit or loss		(580,293)	127,838
Net (loss)/gain on disposal of available-for-sale investments		(141,138)	24,528
Share of profit of an associate		-	748,086
		(677,211)	1,774,022
EXPENSES			
Investment manager's fees	13(a)	(306,825)	(973,855)
Administrative expenses		(214,492)	(175,264)
		(521,317)	(1,149,119)
Income tax expenses	6	-	-
(LOSS)/PROFIT FOR THE PERIOD		(1,198,528)	624,903
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Change in fair value on available-for-sale financial assets of an associate		-	6,540,062
Change in fair value on available-for-sale investments		(629,914)	246,200
Reclassification adjustment for loss/(gain) included in profit or loss upon disposal		141,138	(24,528)
Income tax effect		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(488,776)	6,761,734
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,687,304)	7,386,637
(LOSS)/EARNINGS PER SHARE – BASIC	8	(13.46 cents)	7.02 cents
(LOSS)/EARNINGS PER SHARE – DILUTED	8	N/A	N/A

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) US\$	31 December 2010 (Audited) US\$
NON-CURRENT ASSETS			
Available-for-sale investments	9	3,270,190	4,027,269
Financial assets at fair value through profit or loss	10	–	580,293
Total non-current assets		3,270,190	4,607,562
CURRENT ASSETS			
Available-for-sale investments	9	500,000	–
Financial assets at fair value through profit or loss	10	9,800,000	9,800,000
Prepayments, deposits and other receivables	13(b)(ii)	989,509	981,720
Cash at banks		6,010,831	17,028,140
Total current assets		17,300,340	27,809,860
CURRENT LIABILITIES			
Accrued charges		90,740	45,469
Amount due to investment manager	13(b)(i)	24,034	1,323,893
Total current liabilities		114,774	1,369,362
NET CURRENT ASSETS		17,185,566	26,440,498
NET ASSETS		20,455,756	31,048,060
EQUITY			
Share capital	11	890,500	890,500
Reserves		19,565,256	30,157,560
Total equity		20,455,756	31,048,060
NET ASSET VALUE PER SHARE	12	2.30	3.49

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2011*

	Share capital US\$	Share premium US\$	Available- for-sale investments revaluation reserve US\$	Other reserve US\$	Total capital reserve US\$	Accumulated losses US\$	Total US\$
At 1 January 2011 (audited)	890,500	22,752,935*	(4,343,427)	14,656,865	10,313,438*	(2,908,813)*	31,048,060
Loss for the period	-	-	-	-	-	(1,198,528)	(1,198,528)
Other comprehensive income for the year:							
Change in fair value on available-for-sale investments, net of tax (Note i)	-	-	(629,914)	-	(629,914)	-	(629,914)
Reclassification adjustment for loss included in profit or loss upon disposal of available- for-sale investments	-	-	141,138	-	141,138	-	141,138
Total comprehensive income for the period	-	-	(488,776)	-	(488,776)	(1,198,528)	(1,687,304)
Transfers to capital reserve (Note ii):							
Net loss on disposal of available-for-sale investments	-	-	-	(141,138)	(141,138)	141,138	-
Net loss on financial assets at fair value through profit or loss	-	-	-	(580,293)	(580,293)	580,293	-
Dividend paid	-	(8,905,000)	-	-	-	-	(8,905,000)
At 30 June 2011 (unaudited)	890,500	13,847,935*	(4,832,203)	13,935,434	9,103,231*	(3,385,910)*	20,455,756

* These reserve accounts comprise the reserve of US\$19,565,256 (31 December 2010: US\$30,157,560) in the interim condensed statement of financial position.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY *(Cont'd)*
For the six months ended 30 June 2011

	Share capital	Share premium	Available- for-sale investments revaluation reserve	Other reserve	Total capital reserve	Accumulated losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2010 (audited)	890,500	23,643,435	(2,601,014)	1,725,050	(875,964)	(2,207,132)	21,450,839
Profit for the period	-	-	-	-	-	624,903	624,903
Other comprehensive income for the year:							
Change in fair value on available-for-sale investments, net of tax <i>(Note i)</i>	-	-	246,200	-	246,200	-	246,200
Change in fair value on available-for-sale financial assets of an associate, net of tax	-	-	6,540,062	-	6,540,062	-	6,540,062
Reclassification adjustment for gain included in profit or loss upon disposal of available-for-sale investments	-	-	(24,528)	-	(24,528)	-	(24,528)
Total comprehensive income for the period	-	-	6,761,734	-	6,761,734	624,903	7,386,637
Transfers to capital reserve <i>(Note ii)</i> :							
Net gain on disposal of available-for-sale investments	-	-	-	24,528	24,528	(24,528)	-
Share of result of an associate	-	-	-	748,086	748,086	(748,086)	-
Net gain on financial assets at fair value through profit or loss	-	-	-	127,838	127,838	(127,838)	-
Dividend paid	-	(890,500)	-	-	-	-	(890,500)
At 30 June 2010 (unaudited)	890,500	22,752,935	4,160,720	2,625,502	6,786,222	(2,482,681)	27,946,976

Notes:

- i. Fair value changes of available-for-sale investments are dealt with in the available-for-sale investments revaluation reserve until the available-for-sale investments are sold or impaired, at which time the cumulative net gain or loss shall be reclassified to profit or loss.
- ii. Realised gain and loss on investments recognised in profit or loss are transferred to capital reserve in the period. Pursuant to the Company's Articles of Association amended on 12 May 2011, profits arising from the realisation of investments shall be available for distribution as dividend. Profits arising from revaluation of investments may be available for distribution as dividend only at the discretion of the Board of Directors.

INTERIM CONDENSED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2011*

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	US\$	US\$
Net cash flows (used in)/generated from operating activities	(1,739,474)	494,253
Net cash flows used in investing activities	(372,835)	(2,595,406)
Net cash flows used in financing activities	(8,905,000)	(890,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,017,309)	(2,991,653)
Cash and cash equivalents at 1 January	17,028,140	7,455,137
CASH AND CASH EQUIVALENTS AT 30 JUNE	6,010,831	4,463,484
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash at banks	6,010,831	4,463,484

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

Shanghai International Shanghai Growth Investment Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and the Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” to the interim report.

The Company is an investment holding company.

2. BASIS OF PREPARATION

The interim condensed financial statements for the six months ended 30 June 2011 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 “Interim Financial Reporting” (“HKAS 34”). They have been prepared on the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair values. These interim condensed financial statements are presented in United States dollars (“US\$”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2010.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed financial statements requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgement made by management in applying the Company’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2010.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

4. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010, except for the adoption of following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as of 1 January 2011, noted below:

HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 (Amendment)	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 (Amendment)	<i>Amendment to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRSs 2010	<i>Amendments to a number of HKFRSs issued in May 2010</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on these interim condensed financial statements of the Company.

The Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these interim condensed financial statements.

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ³
HKAS 9 (2011)	<i>Employee Benefits</i> ⁴
HKFRS 7 (Amendment)	<i>Amendment to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKAS 12 (Amendment)	<i>Amendment to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁵
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Tentatively effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Other than HKFRS 9 and HKFRS 13, management considers that these new and revised HKFRSs are unlikely to have a significant impact on the Company's results of operations and financial positions.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

5. SEGMENT INFORMATION

For management purposes and information used by the Company's Executive Directors as the chief operating decision makers, the Company is organised into business units based on the categories of investments and has two reportable operating segments as follows:

- Listed securities – Investments in equity securities listed on relevant stock exchanges
- Unlisted securities – Investments in unlisted equity securities and redeemable convertible preference shares

Further details of the Company's investments are included in notes 9 and 10 to the interim condensed financial statements.

The following is an analysis of the Company's results by operating segments:

	Listed securities US\$	Unlisted securities US\$	Total US\$
Six months ended 30 June 2011 (Unaudited)			
Segment result	(119,913)	(580,293)	(700,206)
Bank interest income			22,995
Unallocated expenses			(521,317)
Loss for the period			(1,198,528)
<u>Six months ended 30 June 2010 (Unaudited)</u>			
Segment result	49,822	1,723,382	1,773,204
Bank interest income			818
Unallocated expenses			(1,149,119)
Profit for the period			624,903

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***5. SEGMENT INFORMATION** (Cont'd)

For the six months ended 30 June 2011, segment result represented the net gain/loss on disposal of listed and unlisted equity securities classified as available-for-sale investments, net gain/loss on investments in redeemable convertible preference shares designated upon initial recognition as at fair value through profit or loss, and the corresponding dividend income earned by each segment without the allocation of administrative expenses and Investment Manager's fees.

As management considers the Company's nature of business is investment holding, no segment revenue is presented.

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

	Listed securities US\$	Unlisted securities US\$	Total US\$
<u>At 30 June 2011 (Unaudited)</u>			
Available-for-sale investments	3,270,190	500,000	3,770,190
Financial assets at fair value through profit or loss	–	9,800,000	9,800,000
Total segment assets	<u>3,270,190</u>	<u>10,300,000</u>	13,570,190
Unallocated assets			<u>7,000,340</u>
Total assets			<u><u>20,570,530</u></u>
<u>At 31 December 2010 (Audited)</u>			
Available-for-sale investments	3,527,269	500,000	4,027,269
Financial assets at fair value through profit or loss	–	10,380,293	10,380,293
Total segment assets	<u>3,527,269</u>	<u>10,880,293</u>	14,407,562
Unallocated assets			<u>18,009,860</u>
Total assets			<u><u>32,417,422</u></u>

As at 30 June 2011, for the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than prepayments, deposits and other receivables, and cash at banks.

All liabilities as at 30 June 2011 and 31 December 2010 are unallocated liabilities.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***6. TAXATION**

No provision for Hong Kong profits tax has been made in the financial statements as the Company did not generate assessable profits arising in Hong Kong for the six months ended 30 June 2011 (30 June 2010: Nil).

7. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

During the period, the Company paid out a special final dividend for the financial year ended 31 December 2010 as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	US\$	US\$
2010 special final dividend – US\$1.00 per share (2009: US\$0.10 per share)	8,905,000	890,500

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period of US\$1,198,528 (2010 (unaudited): profit of US\$624,903) and 8,905,000 (2010 (unaudited): 8,905,000) ordinary shares in issue.

No diluted (loss)/earnings per share are presented. The Company had no potentially dilutive ordinary shares in issue during those six-month periods ended 30 June 2010 and 2011.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***9. AVAILABLE-FOR-SALE INVESTMENTS**

	30 June 2011 (Unaudited) US\$	31 December 2010 (Audited) US\$
Non-current:		
Listed equity securities, at fair value:		
Shares listed in Hong Kong	2,143,101	1,995,593
Shares listed in Taiwan	1,127,089	1,531,676
Unlisted equity securities, fair value	–	500,000
	3,270,190	4,027,269
Current:		
Unlisted equity securities, fair value	500,000	–

The Company's investments in listed equity 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 equity securities are determined by reference to bid prices quoted in active markets.

Shares listed in Taiwan were acquired by the Company under a private placement subscription on 11 May 2010. The Company is subject to a maximum of three-year lock-up restriction under the rules of relevant jurisdiction from that day.

At the end of the reporting period, the Company's investments in unlisted equity securities included China Material Technology Limited ("CMT") with a carrying amount of US\$500,000 (31 December 2010 (audited): US\$500,000) and fully impaired equity securities of Shanghai Hua Xin High Biotechnology Inc. and Shanghai Xinpu Transportation Co., Ltd.

The Company's investment in CMT represented a 2.96% (31 December 2010: 2.96%) equity interest therein. A wholly-owned subsidiary of CMT ("CMT's subsidiary") engages in the supply of construction materials in the People's Republic of China ("PRC"). Pursuant to a share transfer agreement entered into between CMT and a third-party company in May 2011, CMT agreed to sell its 74% equity interest in the CMT's subsidiary to this third-party company. The sale proceeds will be distributed to the shareholders of CMT on a pro rata basis, according to their respective shareholding interest.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	30 June 2011 (Unaudited) US\$	31 December 2010 (Audited) US\$
<i>Financial assets designated at fair value through profit or loss</i>		
Non-current:		
Redeemable convertible preference shares		
– Global Market International Limited (“GMIL”)	–	580,293
Current:		
Redeemable convertible preference shares		
– Global Market Group Limited (“GMG”)	9,800,000	9,800,000

In March 2008, the Company acquired 1,530,769 Series B Preferred Shares in GMG for a total consideration of US\$5,000,000. In November 2009, the Company’s holding in GMG’s Series B Preferred Shares were enlarged to 38,269,225 shares resulted from a sub-division of GMG’s shares.

On 2 June 2010, the Company acquired 3,058,692 Series A Preferred Shares and additional 2,346,572 Series B Preferred Shares in GMG from other existing shareholders of GMG for a consideration of US\$847,458 settled by the special discretionary cash dividend received from GMG in June 2010. Both Series A and Series B Preferred Shares of GMG (“GMG Preferred Shares”) carried the same terms and conditions.

On 9 November 2010, the board of directors of GMG resolved a distribution of special dividend to GMG’s shareholders for acquiring the shares in its spin-off business entity, GMIL. The Company subscribed 169,334 Series A Preferred Shares and 2,248,553 Series B Preferred Shares in GMIL (“GMIL Preferred Shares”) for a total consideration of US\$580,293 settled by the special dividend received from GMG in November 2010. Both Series A and Series B GMIL Preferred Shares carried the same terms and conditions.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *(Cont'd)*

Both GMG Preferred Shares and GMIL Preferred Shares are convertible into ordinary shares of GMG and GMIL respectively, at the option of the Company, and will be automatically converted into ordinary shares of GMG and GMIL upon listing on a recognised stock exchange, conditional of achieving a specified minimum amount of market capitalisation. GMG Preferred Shares and GMIL Preferred Shares are redeemable by the Company after 31 December 2011 and 31 December 2013 respectively, at 100%, repayable over the subsequent three years, and will bear interest at 8% per annum from that respective redemption date.

The Board is of the opinion that the fair value of GMIL amounted to zero as at 30 June 2011.

11. SHARE CAPITAL

	30 June 2011 (Unaudited) US\$	31 December 2010 (Audited) US\$
Authorised:		
18,000,000 (2010: 18,000,000) ordinary shares of US\$0.1 each	1,800,000	1,800,000
Issued and fully paid:		
8,905,000 (2010: 8,905,000) ordinary shares of US\$0.1 each	890,500	890,500

12. NET ASSET VALUE PER SHARE

The calculation of net asset value ("NAV") per share is based on the Company's NAV as at 30 June 2011 of US\$20,455,756 (31 December 2010 (audited): US\$31,048,060) and the number of ordinary shares of 8,905,000 in issue as at 30 June 2011 (31 December 2010 (audited): 8,905,000).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***13. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the period:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	US\$	US\$
Investment management and administration fees paid/payable to the Investment Manager	306,825	237,135
Incentive fee paid/payable to the Investment Manager	-	736,720

Certain directors of the Investment Manager, Shanghai International Asset Management (H.K.) Co., Ltd. are common directors of the Company.

In accordance with the terms of the investment management agreement and the six supplemental agreements (collectively the "Investment Management Agreements"), the management and administration fees are calculated and payable quarterly in advance at 0.5% of the NAV (calculated before deductions of the fees payable to the Investment Manager, and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

The Investment Manager is entitled to an incentive fee equal to 15% of the excess amount by which the NAV of the Company as at 31 December 2011 exceeding 115% of the NAV of the Company as at 31 December 2010. The actual amount of special dividends paid out in 2011 shall be deducted from the NAV of the Company as at 31 December 2010 when calculating the growth of the NAV. In the event that the Company raises new capital in 2011, and for the purpose of determining the incentive fee, such new capital shall be deducted from the NAV of the Company as at 31 December 2011.

During the six months ended 30 June 2011, the Investment Manager was not entitled to receive an incentive fee in relation to the performance of the Company (2010 (unaudited): US\$736,720), in accordance with the incentive fee calculation of the Investment Management Agreements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 June 2011***13. RELATED PARTY TRANSACTIONS** (Cont'd)

- (b) Outstanding balances with related parties:
- (i) Amount due to the Investment Manager is unsecured, interest-free, and repayable on demand.
 - (ii) Included in prepayment, deposits and other receivables was an amount due from a shareholder of the Company of US\$832,493 (31 December 2010 (audited): US\$812,617), which is unsecured, interest-free and repayable on demand.
- (c) Compensation of key management personnel of the Company:

The key management personnel of the Company comprise the directors of the Company. Details of directors' emoluments are as below:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	US\$	US\$
Directors' fees	23,131	19,264

14. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the six months ended 30 June 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

15. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorised for issue by the Board of Directors of the Company on 4 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Company recorded an unaudited loss of US\$1,198,528 for the six months ended 30 June 2011 (for the six months ended 30 June 2010: profit of US\$624,903). The loss is mainly attributable by decrease in dividend income and fair value change in one of the Company's redeemable convertible preference shares investment which had been spun off from Global Market Group Limited ("GMG") as a separate business operation. The Company received dividend income of US\$847,458 from GMG in 2010 which was fully applied for acquisition of additional shares in GMG. The Company also achieved favourable return from share of results of an associate in 2010 which was then subsequently disposed in the third quarter of 2010 with substantial gains. Due to the unstable global stock market, the Company recorded dividend income of US\$21,225 from listed securities and realised losses of US\$141,138 on disposal of listed securities for the six months ended 30 June 2011.

The listing plan of GMG was temporarily suspended in the first quarter of 2011 due to a sudden change to an unfavourable market condition because of an earthquake in Japan. However, there is no change in the fair value of GMG for the six months ended 30 June 2011. GMG will continue to pursue its listing plan in the second half of 2011.

In view of substantial gains achieved in 2010, the Company paid its shareholders a special final dividend of US\$1.00 per share in June 2011. As at 30 June 2011, the Company's net asset value ("NAV") per share was US\$2.30 as compared with US\$3.49 at the end of 2010, such decrease was due mainly to the payment of special dividend.

Economic Review

In the first half of 2011, the benchmark Hang Seng Index fell 2.77 %. The stock market has been struggling against headwinds since the beginning of the year. The "Jasmine Revolution" in the Middle East and North Africa brought turmoil to the global stock markets in the first two months of 2011. Not long thereafter, Japan's earthquake and the consequent nuclear disaster led to a widespread drop in most of the stock markets. More recently, market sentiment was further marred by the sovereign debt crisis that has developed in Europe, with Ireland, Greece and Italy in the limelight.

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Review *(Cont'd)*

In China, the Gross Domestic Product (“GDP”) expanded 9.6% in the first half of 2011 from a year earlier, despite investors’ concern that tightening measures might choke off growth. Overall economic performance was generally good, reflecting a steady transition from policy-stimulated to a market-based economy.

Stabilizing prices remains China’s top priority. To soften inflation pressures, the People’s Bank of China instigated three interest rate hikes and increased banks’ reserve ratio requirement on six occasions so far this year. As China’s Consumer Price Index might have peaked and begun to moderate in the second half, the corresponding monetary policy and fiscal measures are expected to be more flexible. Overall, the future economic growth relies on the delicate balance among maintaining rapid economic development, restructuring the economy and managing inflation expectations.

Relevant stock markets’ performance in the first half of 2011

Indices	30 June	31 December	Change
	2011	2010	
Hang Seng Index	22,398	23,035	-2.77%
Hang Seng China Enterprises Index	12,577	12,692	-0.91%
Hang Seng China-Affiliated Corporation (Red Chip) Index	4,192	4,170	0.53%
Shanghai SE Composite Index	2,762	2,808	-1.64%
Shenzhen SE Composite Index	1,156	1,291	-10.46%
Taiwan Exchange Index	8,653	8,973	-3.57%
Dow Jones Industrial Average Index	12,414	11,578	7.22%
Standard and Poor’s 500 Index	1,321	1,258	5.01%
NASDAQ Composite Index	2,774	2,653	4.56%

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Review

Portfolio Allocation

	30 June 2011	31 December 2010
Listed investments	16%	11%
Unlisted investments	50%	35%
Cash and net receivables	34%	54%
Total	100%	100%

Listed Investments

In the first half of 2011, the Company's listed securities portfolio recorded a loss of 5.86%, which underperformed the Hang Seng Index. The Investment Manager was not able to capture the right timing of the volatile markets attributed to the decline. Going forward, greater attention will be paid to the timing of the markets and the picking of asset and defensive plays.

Unlisted Investments

In the first half of 2011, the Investment Manager examined a number of investment projects; sectors covered included medical equipment, new energy sources and education services. Due diligence had been thoroughly carried out on a company providing education services but it was subsequently decided not to invest.

China Material Technology Limited (“CMT”)

The Company invested US\$2.5 million in CMT and is currently interested in 2.96% of its equity interest. South Polar Lights Steel (Shanghai) Co. Ltd. “SPLS”, a wholly-owned subsidiary of CMT, is engaged in the production and sales of hot-rolled galvanized steel.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

China Material Technology Limited (“CMT”) *(Cont'd)*

At the end of 2010, the board of directors of CMT decided on a disposal plan of SPLS. A share transfer agreement had been reached with a third-party company in May 2011, CMT agreed to sell its majority equity interest in SPCL to the third-party company. The sale proceeds will be distributed to the shareholders of CMT on a pro rata basis, according to their respective shareholding interest.

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 subdivision of GMG’s shares. The Company’s investment represented approximately 8.47% equity interest in GMG. In June 2010, GMG paid out dividends to its shareholders. The Company reinvested its dividend entitlement of US\$847,458 for additional GMG Preferred Shares to increase its equity interest to 9.67%. GMG Preferred Shares are convertible into ordinary shares of GMG upon listing of its shares on a recognized stock exchange or are redeemable at 100% after end of 2011, with an interest of 8% per annum 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Unlisted Investments *(Cont'd)*

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

Despite a temporary suspension of its IPO plan in the first quarter of 2011 due to unfavorable prevailing market conditions, the business fundamentals of GMG did not change. GMG continues to expand their businesses to mitigate global economic swings. With continuing growth in its B2B business and consistent management team, GMG's business recorded significant growth as compared with same period last year. GMG is heading towards its IPO goal positively.

Global Market International Limited (“GMIL”)

GMIL is an investment holding company incorporated in the Cayman Islands whose principal activities are in logistics and M2C businesses that had been spun off from GMG in September 2010. The shareholding structure of GMIL is identical to that of GMG, which declared dividends to its shareholders for subscription of shares in GMIL.

The Company was allotted 2,417,887 shares in Series A and B Preferred Shares in GMIL at a subscription cost of US\$580,293 by way of re-investment of dividends distributed from GMG, representing a 9.67% equity interest in GMIL.

As M2C evolution requires a great demand for financing and strategic resources, GMIL's management was diligently upgrading and innovating their services and technologies. During the first half, GMIL helped small businesses to use its M2C platform to further grow in scale, reduce their opportunity cost in marketing and circulation, and build resilience in the face of a challenging market environment. Nevertheless, in view of the start-up and cost intensive nature of this business, losses were incurred and are expected to continue in the next two years. The Company considered that it will be difficult in the medium term for GMIL to generate sufficient profit and net cash inflow to set off accumulated losses, the fair value of this investment is therefore considered as zero as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

The Company will pay particular attention on the China economy, which has a great impact on both the China and Hong Kong stock markets. Whether or not the high inflation rate will be topped in the third quarter will affect China's monetary policy; and ultimately its GDP growth. In addition, the Investment Manager will continue to closely monitor the sovereign debt crisis in Europe for it will be a catastrophe to the world financial markets should any of the European countries' sovereign debt fall into default. As such, the Company will adopt a conservative trading strategy but will review the option to increase the limit in secondary market trading as appropriate.

As for unlisted securities, the Company will continue to seek for potential private equity opportunities with particular focus on consumer, internet, medical equipment sectors etc. with the intention to invest into quality companies with reasonable valuation, solid financial figures and excellent growth potential. Last but not least, the Investment Manager will continue to assist in enhancing the value of the Company's portfolio companies so they may be able to bring in attractive returns.

Liquidity, Financial Resources, Gearing And Capital Commitment

The Company's bank balances as of 30 June 2011 were US\$6,010,831 (31 December 2010: US\$17,028,140) after payment of US\$8,905,000 as dividend distribution to shareholders in June 2011.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at the end of June 2011 and December 2010, respectively.

Exposure To Fluctuations In Exchange Rates And Related Hedges

Except for approximately RMB5.3 million receivables and NTD37.3 million investments in listed securities and receivables, 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

As at 30 June 2011, none of the directors nor their associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was requested to be recorded pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

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

Other than the disclosure of Directors' Interests or Short Positions in Shares described above, as at 30 June 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO 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 and nature of interest	Number of shares held	Percentage of total issued shares of the Company	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	1,063,040	11.94%	(2)
Chung Chia Co., Ltd.	Beneficial owner	590,743	6.63%	(2)
Kwang Shun Co., Ltd.	Beneficial owner	472,297	5.30%	(2)
Ms. Hsu Tsui-hua	Held by controlled corporation	590,743	6.63%	(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)
Ruentex Industries Ltd.	Beneficial owner and held by controlled corporation	592,752	6.66%	(6)
Ruentex Development Co., Ltd.	Beneficial owner and held by controlled corporation	563,752	6.33%	(7)

Notes:

- (1) On 29 May 2009, Mr. Bart M. Schwartz 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.

OTHER INFORMATION

Substantial Shareholders *(Cont'd)*

- (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 Ltd.
- (6) Apart from a direct holding of 257,000 shares in the Company, Ruentex Industries Limited has an indirect interest in the Company through its 100% ownership in Full Shine Int'l Holdings Ltd..
- (7) Apart from a direct holding of 228,000 shares in the Company, Ruentex Development Co., Ltd has an indirect interest in the Company through its 100% ownership in Ruentex Construction Int'l (BVI) Ltd..

Other than disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at 30 June 2011.

Purchase, Sale or Redemption of Listed Securities of The Company

During the six months ended 30 June 2011, the Company did not purchase, sell or redeem any of the Company's listed 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 six months ended 30 June 2011. The Audit Committee also meets with 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

The Company has adopted the 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 30 June 2011.

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, 4 August 2011