SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

2012 Annual Report

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-chieh
Mr. TSENG Ta-mon
Mr. ZHU Zhongqun

COMPANY SECRETARY

Mr. LIANG Kwan Wah Andrew

INVESTMENT MANAGER

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

In Hong Kong:
Room 2603A, 26/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central, Hong Kong

In Shanghai:
Room G, 6/F,
Crystal Century Tower,
No. 567 Wei Hai Road,
Shanghai 200041, 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, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

http://shanghaigrowth.etnet.com.hk

STOCK CODE

770

BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present its annual report of the Company for the year ended 31 December 2012.

REVIEW OF RESULTS

The Company recorded a net loss of US$3,446,683 for the year ended 31 December 2012, compared with a net profit of US$2,488,580 in 2011. Current year's loss is mainly attributable to unrealised loss on fair value change in one of the Company's redeemable convertible preference shares investment, Global Market Group Limited ("GMG"), which was listed on a recognized stock exchange in June 2012. The Company's investment in GMG's redeemable convertible preference shares was converted into GMG ordinary shares immediately prior to their admission to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange on 22 June 2012. Subsequent trading price of GMG suffered an approximately 33% drop due to unusual selling pressure. As a consequence, the Company recorded a US$2.3 million unrealised loss on the change in fair value of GMG at the end of 2012, compared to an unrealised gain of US$3.8 million on the same investment in last corresponding year.

During the year, the Company received cash dividend of US$8,510 (2011: US$386,862) derived from unlisted investments.

The Company managed to exit from several unlisted investments which are previously impaired and recorded a realised gain of US$235,483 in 2012. Nonetheless, the Company's investment in 2010 through private placement in a Taiwan listed corporation recorded an impairment loss of US$661,574 at the end of 2012.

On the investment in listed securities side, despite unstable global financial markets, the Company received dividend income of US$29,496 (2011: US$37,129) and realised gain on disposal of listed investments of US$125,112 (2011 loss: US$657,104).

The Investment Manager started to accumulate the Company's listed securities portfolio in the second quarter of 2012, and recorded a 29.22% annual equity value return compared to that of Hang Seng Index's 22.91%. In response to market volatility, the Investment Manager maintained a cash position and, with that being taken into consideration, the listed securities portfolio recorded an overall return of 10.98% in 2012.

The Company paid its shareholders a final dividend of US$0.10 per share in June 2012. The Company's audited net asset value ("NAV") per share as at 31 December 2012 was US$2.26, a 14.7% decrease as compared with US$2.65 at the end of 2011. Such decrease was mainly due to the payment of the final dividend and unrealised loss on fair value of GMG. As at the end of December 2012, the Company's share price was US$1.40 (2011: US$1.60), reflecting a 38.05% discount to NAV per share.

BOARD OF DIRECTORS' STATEMENT

CENTRAL CLEARING AND SETTLEMENT SYSTEM

In the past, shares of the Company ("Shares") have not been eligible for deposit, clearance and settlement in the Hong Kong Exchange and Clearing Limited's Central Clearing and Settlement System ("CCASS") because transfers of Shares used to be subject to certain restrictions and accordingly the Shares were not freely transferable, which is a prerequisite for the admission of the Shares in CCASS. Such restrictions have been amended in the Company's articles of association on approval by Shareholders at the Company's annual general meeting held on 12 May 2011.

Upon approval of the Company's subsequent application to the Hong Kong Exchange and Clearing Limited, from 1 August 2012, Shares were admitted ("Share Admission") and became eligible for deposit, clearance and settlement through CCASS. The Directors are of the view that such Share Admission will be beneficial to the future growth and business development of the Company as a whole. The Share Admission will facilitate settlements and processing solutions and decrease the holding and physical transferring of Share certificates and thereby reduce cost and risk.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

During 2012, the Company did not participate in any new unlisted investment. The Company's bank balances as of 31 December 2012 were US$5,783,179 (2011: US$6,808,139) after a dividend payout of US$890,500 in June 2012. Apart from listed securities investments, cash were used for operating and administrative expenses.

The Company did not have any bank borrowing or capital commitment on its unlisted investments as of 31 December 2012 and 2011.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Except for two investments that are respectively denominated in New Taiwan dollars ("NT$") and Great British Pound ("GBP"), the Company's assets, liabilities and transactions are denominated either in Hong Kong dollars, US dollars or Renminbi ("RMB"). 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. The moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact on the Company. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure.

As at 31 December 2012, the Company's investment in one unlisted security and one listed security are valued at NT$17.3 million and GBP7.3 million respectively. There is no hedging policy, the value of these investments and currency exposure risk are monitored closely by the Investment Manager.

EMPLOYEES

Other than maintaining a qualified accountant, the Company has no other employee. The Company continues to delegate the day-to-day administration of its investment portfolio to its investment manager, Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager").

BOARD OF DIRECTORS' STATEMENT

DIVIDEND DISTRIBUTION

Subject to approval by shareholders at the annual general meeting of the Company to be held on 26 April 2013, the Board proposes a special final dividend of US$0.10 per share in cash for 2012, representing approximately a 7.46% return on the market share price at the time of announcing such dividend. This final dividend, if approved, will be paid on or before 10 June 2013 to shareholders whose names are on the Company's Register of Members on 7 May 2013.

CLOSING OF REGISTER OF MEMBERS

For the purposes of determining the right to attend and vote at the Company's annual general meeting to be held on 26 April 2013 ("2013 AGM"), and entitlement to the special final dividend, the Register of Members of the Company will be closed as set out below:

(i) For determining the right to attend and vote at 2013 AGM:

Latest time to lodge transfer documents for registration	4:30 pm on Friday, 19 April 2013
Closure of Register of Members	Monday, 22 April 2013 to Friday, 26 April 2013 (both dates inclusive)
Record date	Friday, 26 April 2013

(ii) For determining entitlement to special final dividend

Latest time to lodge transfers documents for registration	4:30 pm on Friday, 3 May 2013
Closure of Register of Members	Monday, 6 May 2013 to Tuesday, 7 May 2013 (both dates inclusive)
Record date	Tuesday, 7 May 2013

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2013 AGM, and to qualify for the special final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's registrar, Tricor Secretaries Limited, 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OUTLOOK FOR 2013

The European sovereign debt crisis, US monetary policy and the tense political relationship between China and Japan are expected to be the main focal points in 2013 whereby the world economic recovery may be affected. Nonetheless, many corporations were successful in cost cutting during the financial crisis whereby profits were able to be maintained. Furthermore, the underlying fundamentals for emerging countries remain sound and it is expected world economies will recover in a steady pace. On the other hand, weak consumption demand as well as high unemployment rate will cause the adoption of monetary easing measures whereby interest rates will stay low as a result.

China stock markets did not have a good run in 2012 because of the uncertainty in the new government transition and the effect of profit margin squeeze among corporations. With these two factors being improved, it is expected that the light at the end of the tunnel will begin to emerge in 2013.

BOARD OF DIRECTORS' STATEMENT

OUTLOOK FOR 2013 *(Cont'd)*

Inventory clearance and cost cutting were the two top issues for most of the Chinese corporations in the first three quarters of the year. It can be seen that inventory levels have dropped significantly towards the end of year together with a gradual easing of inflationary pressures. Many corporations have passed through the most difficult time in the fourth quarter and profit margins have been bottoming out, which are confirmed by the better economic figures announced recently for cyclical industries.

Urbanisation is the main focus in China for the next few years. To meet the challenges of urbanisation, the government expects to increase spending on infrastructures for its growing city dwelling. As a result, service industries are expected to enter into another rapid growth era over the next decade. The Company will focus sectors in infrastructure, consumption and medical insurance industries.

As for direct investments, the Company will continue exploring investment opportunities in projects with attractive potential in the greater China region. As for the existing portfolio companies, the Company shall pursue utmost effort to exit in the appropriate timing in order to maximize shareholders' return.

For and On behalf of the Board,
Dr. WANG Ching
Executive Director

Hong Kong, 20 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

China Economy

China's major economic indicators:

Growth (year-on-year, percent)	**2012**	2011
Gross domestic product ("GDP")	**7.8**	9.3
Value added industrial output	**10.0**	13.9
Retail sales	**14.3**	17.1
Consumer price index ("CPI")	**2.6**	5.4
Fixed asset investments ("FAI")	**20.6**	23.8
Actual foreign direct investments	**-3.7**	9.7
Exports	**7.9**	20.3
Imports	**4.3**	24.9
Trade surplus (US$ billion)	**231.1**	155.1
Foreign exchange reserve (US$ billion)	**3,312**	3,181

Source: Published information

During 2012, China economy has been consolidating and bottoming up towards the end of the year. After six consecutive falls in year-on-year ("yoy") Quarterly GDP, the 2012 4th quarter GDP recorded a yoy rise, indicating an economic recovery is under way. Overall, GDP recorded an increase of 7.8% in year 2012.

Owing to weak demands, both international and domestic, China's economy slowed down in the beginning of the year. In an effort to restrain the accelerating slow down of the economy, the People's Bank of China lowered the Reserve Requirement Ratio as well as the loan-to-deposit ratio twice in the first half of the year. In the second half of the year, however, many infra-structure and fixed assets investment related projects were being approved with the intention to achieving "stable growth". Towards the end of the year, China's Central Economic Work Conference rolled out the 'Urbanization' theme, emphasizing the urbanization of the cities via investment and development. As such, the main focal points in 2013 will be in changing the direction of economic development and structure, in addition to increasing stimulation in domestic consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW *(Cont'd)*

Global Economy

2012 was a year with high trading volatility in global stock market. World stock markets were up on the whole in the first quarter with a 'risk on' sentiment. The Hang Seng Index went up 11.5% during the same period. The situation was reversed in the second quarter, however, when Greece suffered from the rumor of exiting from the Euro zone in the month of May. The Hang Seng Index slid to its lowest level of the year, 18,056 point in June.

The world stock markets began to stabilize in the third quarter when Mario Draghi, President of the European Central Bank ("ECB") vowed to defend the Euro dollar in addition to the launching of the Third Round of Quantitative Easing ("QE3") by the United States and the various economic stimulation packages by China respectively.

Trading volatility had been gradually easing in the last quarter of the year. The US economy started picking up because of the turnaround of the labour and property markets, reflected by the bottoming out of the Purchasing Managers Index. It started a ripple effect on other world economies, such as Europe, US and China. In the fourth quarter, the world stage focused on the US presidential election in November and the 18th National Congress of the Communist Party of China ("NCCPC") in December. Fueled by the US QE3 and the ECB's Outright Monetary Transactions measures, along with the inflow of funds into Hong Kong, China stocks began their year-end rally after the dust has settled for the 18th NCCPC.

Relevant stock markets' performance in 2012

Indices	**31 December 2012**	31 December 2011	Change
Hang Seng Index	**22,656.92**	18,434.39	22.91%
Hang Seng China Enterprises Index	**11,436.16**	9,936.48	15.09%
Hang Seng China-Affiliated Corporations Index	**4,531.12**	3,682.18	23.06%
Shanghai SE Composite Index	**2,269.13**	2,199.42	3.17%
Shenzhen SE Composite Index	**881.17**	866.65	1.68%
Taiwan Exchange Index	**7,699.50**	7,072.08	8.87%
Dow Jones Industrial Average Index	**13,104.14**	12,217.56	7.26%
Standard and Poor's 500 Index	**1,426.19**	1,257.60	13.41%
NASDAQ Composite Index	**3,019.51**	2,605.15	15.91%

Portfolio Allocation

	31 December 2012	31 December 2011
Unlisted investments	**3%**	64%
Listed investments	**66%**	4%
Cash and cash equivalents	**31%**	32%
Total	**100%**	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

The Hang Seng Index went up 11.5% during the first quarter of 2012. The situation was reversed in the second quarter, however, with continued deterioration of debt crisis in Europe, as well as a slowdown in the Mainland's economy, the stock market fallen since May. The Hang Seng Index slid to its lowest level of the year, 18,056 point in June.

In expecting the world markets to recover in the second half, the Investment Manager started to accumulate the Company's listed securities portfolio in the second quarter and recorded a 29.22% annual equity value return, compared to that of Hang Seng Index's 22.91%. In response to market volatility, the Investment Manager maintained a cash position and, with that being taken into consideration, the overall listed securities portfolio performance is 10.98% in 2012.

LISTED SECURITIES PORTFOLIO

As at 31 December 2012

Name of listed securities	Nature of business	Number of shares held	% held of total issued shares	Cost US$	Market value US$	% of net asset value	Dividend received US$
Listed on AIM, London Stock Exchange							
Global Market Group Limited	B2B platform	8,734,897	8.93	5,847,458	11,855,810	58.78	–
Listed on Hong Kong Stock Exchange							
China Mobile Limited	Cellular telecommunications	35,000	0.0002	366,231	407,565	2.02	1,326
Hong Kong Exchanges and Clearing Limited	Exchange and clearing	7,000	0.0006	103,172	119,131	0.59	5,764
Standard Chartered PLC	Banking & financial services	11,000	0.0005	243,697	278,183	1.38	–
Yanzhou Coal Mining Co. Ltd. – H shares	Coal Operations	180,000	0.0092	274,918	297,743	1.48	8,890
Golden Eagle Retail Group Ltd.	Department Stores	50,000	0.0026	102,829	123,092	0.61	–
Harvest MSCI China A Index ETF	Country Fund – China	210,000	0.0772	268,367	286,131	1.42	–
Other listed securities				–	–	–	13,515
Aggregate				1,359,214	1,511,845	7.50	29,495
Total investment in listed securities				7,206,672	13,367,655	66.28	29,495

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW *(Cont'd)*

LISTED SECURITIES PORTFOLIO

As at 31 December 2011

Name of listed securities	Nature of business	Number of shares held	% held of total issued shares	Cost US$	Market value US$	% of net asset value	Dividend received US$
Listed on Hong Kong Stock Exchange							
China Mobile Limited	Cellular telecommunications	20,000	0.0001	194,028	195,329	0.83	13,964
Hong Kong Exchanges and Clearing Limited	Exchange and clearing	12,000	0.0011	193,470	191,623	0.81	–
Hang Seng Bank Limited	Banking & financial services	16,000	0.0008	199,627	189,719	0.80	2,260
China Shenhua Energy Co. Ltd. – H shares	Production and sale of coal	50,000	0.0015	222,114	216,818	0.92	–
Sa Sa International Holdings Limited	Retail & wholesaling of cosmetics	220,000	0.0078	128,010	121,727	0.52	1,698
Other listed securities				–	–	–	19,208
Total investment in listed securities				937,249	915,216	3.88	37,130

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW *(Cont'd)*

Current investments

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. In June 2010, the Company reinvested its dividend entitlement of US$847,458 for additional GMG Preferred Shares to increase its equity interest to 9.67%.

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.

GMG recorded strong growth with excellent results in 2011 and succeeded in bringing in solid investors. The fair valuation of the Company's holding of GMG has increased to US$14.2 million as at 31 December 2011.

GMG's ordinary shares were admitted to trading ("Admission") on the Alternative Investment Market of the London Stock Exchange on 22 June 2012. The Company's investment in GMG Preferred Shares were converted into a total of 8,734,897 ordinary shares of GMG immediately prior to the placing of GMG's newly issued ordinary shares and Admission. GMG successfully raised £9.7 million by way of a placing of new ordinary shares at a reasonable valuation, giving a market capitalization of approximately £127 million on Admission. However, due to an unusual selling behavior, subsequent trading prices of GMG ordinary shares suffered an approximately 33% drop, though recorded with thin trading volume. As a result, the fair value of the Company's investment in GMG at end of December 2012, which was marked to market trading price, decreased by US$2.3 million compared with that as at 31 December 2011, a drop of 16% approximately. Despite an unrealised loss of US$2.3 million recorded in the reporting period, the Company is confident of GMG's fundamental strength and earnings growth potential.

In the midst of decrease in export due to shrinking demand both internationally and domestically, GMG managed to venture into emerging markets, such as Russia and Latin America. Furthermore, with the joint effort of Guangdong provincial government to achieve a win-win situation, GMG managed to form a manufacturers team – 'Made in Guangdong', comprising 30,000 quality manufacturers in the Guangdong area which contribute 90% of exports from the province. On 29 August 2012, GMG announced its 2012 interim result in which the revenue and net profit recorded an increase of 27.9% and 30.1% respectively, reflecting the high quality of its management and its excellent execution ability. The Company considers GMG is significantly undervalued in its stock price and will monitor closely for appropriate exit opportunity.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW

In view of unfavourable international and domestic environments, total funds raised in China venture capital and private equity markets dropped 67% and 35% respectively in 2012 as compared with 2011. There was also a declining trend in the number of investments and exits.

Following the opening up of direct investments by securities companies in 2011, public investment funds are allowed to invest in equity stakes of private companies. Such relaxation was extended to insurance corporations as well. These measures brought new impetus to both the venture capital and private equity industries.

The Company's Investment Manager diligently screened various projects in apparel and shoes manufacturing, medical, e-commerce, resources environmental protection, high technology, food and beverage and industrial manufacturing industries in 2012. However, due to the depressing macro environment and investment sentiments, in adopting a prudent investment approach, the Company did not make any new investment.

In 2012, the Company achieved significant progress in exiting of its unlisted investments. On 22 June 2012, one of the Company's unlisted investments, Global Market Group Limited ("GMG") was listed and its shares are since traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and GBP9.7 million raised.

In December 2012, China Material Technology Limited ("CMT") completed its disposal of its wholly-owned subsidiary and distribution of sale proceeds and assets to shareholders. The Company received US$553,505 in return of the share sale and liquidation of CMT was in progress at the end of 2012.

Besides, the Investment Manager managed to complete a share sale in Shanghai Hua Xin High Biotechnology Co. Ltd., which had previously been fully impaired, and the Company received sale proceeds of HK$1,399,012, equivalent to US$180,442.

The Company's investment in C-Media Electronics Inc., invested in 2010 through private placement, whose common shares are listed on Taiwan GreTai Securities Market (6237.TW), recorded an impairment loss of US$661,574 as at 31 December 2012 compared with its investment cost. The lock-up restriction of the private placement shares expires in May 2013 and the Company will closely monitor the price performance and find appropriate exit opportunity at the then market situation.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

UNLISTED INVESTMENTS PORTFOLIO

As at 31 December 2012

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Impairment US$	Fair value changes US$	Carrying value of investment at 31.12.2012 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
C-Media Electronics Inc. ***(N1)***	**Audio IC**	**1.30**	**1,259,314**	**(661,574)**	**–**	**597,740**	**2.96**	**8,510**	**–**

Note:

N1: An investment in shares through private placement in an enterprise engaged in audio IC design, whose common shares are listed on Taiwan Gretai Securities Market. The investment from private placement is subject to a 3 year lock-up restriction after which shares can be applied for listing together with its common shares.

N2: Shanghai Xinpu Transportation Co., Ltd., a joint venture investment which had been fully impaired in prior years, was written off from the unlisted investment portfolio at the end of 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

UNLISTED INVESTMENTS PORTFOLIO *(Cont'd)*

As at 31 December 2011

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Impairment US$	Fair value changes US$	Carrying value of investment at 31.12.2011 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
China Material Technology Limited *(N1)*	Investment holding	2.96	2,500,000	(2,000,000)	–	500,000	2.12	–	–
Global Market Group Limited *(N2)*	B2B trading platform	9.67	5,847,458	–	8,352,542	14,200,000	60.18	386,862	1,814,613
Global Market International Limited *(N3)*	Logistics and M2C trading platform	9.67	580,293	–	(580,293)	–	–	–	–
C-Media Electronics Inc. *(N4)*	Audio IC	1.30	1,259,314	–	(736,770)	522,544	2.21	–	–
Shanghai Hua Xin High Biotechnology Inc.	Pharmaceuticals	20.00	1,924,000	(1,924,000)	–	–	–	–	–
Shanghai Xinpu Transportation Co., Ltd.	Land transportation	34.90	698,000	(698,000)	–	–	–	–	–
Total unlisted investments			12,809,065	(4,622,000)	7,035,479	15,222,544	64.51	386,862	1,814,613

Notes:

N1: An investment holding company through which the Company has a 2.96% equity interest in an enterprise which is engaged in the production and sales of galvanized steel.

N2: An investment in redeemable convertible preference shares which translates into a 9.67% equity interest in an enterprise which is engaged in B2B trading platform.

N3: An investment in redeemable convertible preference shares which translates into a 9.67% equity interest in an enterprise which is engaged in logistics and manufacturer-to-consumer businesses trading platform.

N4: An investment in shares through private placement which translates into a 1.3% equity interest in an enterprise engaged in audio IC design, whose common shares are listed on Taiwan GreTai Securities Market. The investment from private placement is subject to a 3 year lock-up restriction after which shares can be applied for listing together with its common shares.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

Current investment

C-Media Electronics Inc. ("C-Media")

In May 2010, the Company participated in a private placement launched by C-Media by subscribing for 1 million new shares therein 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 (stock code 6237.TW). As at 31 December 2012, the fair value of this investment recorded an impairment loss of US$661,574 when compared with its investment cost.

C-Media specializes in the designing and manufacturing of audio ICs, and the LED business, which C-media has been actively developing, has been progressing well. The Company has been diligently monitoring its various businesses. Facing keen competition in the LED business, its profit margin has been under pressure. C-Media thus focuses to increase cooperation with international companies in order to increase market share and profit margin. The Company received a dividend of NT$250,000 from C-Media in the third quarter of 2012.

The lock-up restriction of the private placement shares expires in May 2013 and the Company will closely monitor the price performance and find appropriate exit opportunity at the then market situation.

Exited investments

China Material Technology Limited ("CMT")

The Company invested US$2.5 million in CMT in 2007 and is subsequently interested in 2.96% of its equity interest. CMT, a company incorporated in the Cayman Islands, holding 100% stake in South Polar Lights Steel (Shanghai) Co. Ltd. ("SPLS"), a PRC registered company engaged in the production and sales of hot-rolled galvanized steel. This investment has since been impaired and stated at a fair value of US$500,000 at the end of December 2011.

At the end of 2010, shareholders of CMT decided on a disposal plan of SPLS. A share transfer agreement had been reached with a third-party company in May 2011 in which CMT agreed to sell its majority equity interest in SPLS to the third-party company. Pursuant to a CMT shareholders' meeting held in June 2012, it was decided that CMT will go into liquidation after receipt of the sale proceeds and distribution of its assets to its shareholders. In December 2012, the Company received US$553,505 from CMT's distribution and exited from this investment.

Shanghai Hua Xin High Biotechnology Co. Ltd. ("Hua Xin")

In December 1995, the Company paid US$2,405,000 in exchange of 25% of equity stake in Huaxin. In February 2000, the Company sold 5% of the equity for US$266,100. Due to persistent operating losses, full impairment was made in year 2003. There has been no sign of a turnaround in both Hua Xin's operation and bottom line, as such, the Company has been looking for opportunities to exit this investment. Through years, after many rounds of negotiations, the Company finally entered a share sale agreement with Hua Xin's another shareholder in September 2012, for a transfer of the Company's holding in Hua Xin at a consideration of RMB1,150,000. The Company received the sale proceeds equivalent in HK$1,399,012 in accordance with the agreement. The share transfer procedure and registration was completed in January 2013 and the Company has since fully exited from this investment.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

Exited investments *(Cont'd)*

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, who had 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.

In view of continued loss-making of GMIL, 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 was zero at end of December 2011. On 30 June 2012, the Company entered into a share repurchase agreement with the key shareholder of GMIL to dispose of all the Company's shares in GMIL at a consideration of US$1,536. The sale transaction was completed on 11 July 2012 with the receipt of sale proceeds.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Ching *(RC)*

Aged 58, was appointed as an Executive Director of the Company and the Managing Director of Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager") in July 2007. Dr. Wang is currently registered as one of the responsible officers of the Investment Manager with the Securities and Futures Commission ("SFC").

Dr. Wang has over 20 years' managerial experience in investment banking, securities, treasury and fund management sectors in the Unites States, Taiwan, Hong Kong and the PRC, with a wealth of experience in the securities and venture capital industries.

Prior to joining the Company, Dr. Wang was the president of Investment and Proprietary Trading Group for Jih Sun Financial Holding Co. Ltd. in Taiwan, the managing director of JS Cresvale Securities International Limited, the managing director of SinoPac Securities Asia Ltd. in Hong Kong, SEVP of SinoPac Securities Co. Ltd. in Taiwan, the director of Investment Banking Department at Standard Chartered Bank Hong Kong and the associate director of Bear Stearns & Co. Inc., New York and Hong Kong.

Dr. Wang is also an INED of Minth Group Limited, China Singyes Solar Technologies Holdings Limited and Yingdes Gases Group Company Limited, all of them are listed on The Stock Exchange of Hong Kong Limited and are third parties independent of the Company and connected persons of the Company. He is also appointed non-executive director of Global Market Group Limited, one of the Company's investments, whose shares are listed on the Alternative Investment Market of the London Stock Exchange.

Dr. Wang obtained his Master's degree in business administration from the University of Houston and Ph.D. in finance from Columbia University in the city of New York.

WU Bin *(RC)*

Aged 39, was appointed as an Executive Director of the Company and Deputy Managing Director of the Investment Manager in May 2007. Mr. Wu is currently registered as one of the responsible officers of the Investment Manager with the SFC.

Prior to joining the Company, Mr. Wu was the Assistant General Manager of Center for International Business Management with Shanghai International Group Co., Ltd. ("SIG") since 2006. Before that, he had been the Assistant General Manager of Investment Banking Department with Shanghai International Trust Corporation Ltd. since 2004, which is a subsidiary company of SIG and one of the substantial shareholders of the Company. From 1996 to 2004, he had held senior positions with foreign banking and securities institutions in the PRC. Mr. Wu has over 14 years' managerial experience in banking, securities and trust investment sectors in PRC.

Mr. Wu holds an MBA degree in Finance from Shanghai Jiao Tong University and currently is a CFA charter holder. He also qualified as a PRC lawyer in 2000.

RC - Remuneration Committee
AC - Audit Committee
NC - Nomination Committee

BIOGRAPHICAL DETAILS OF DIRECTORS

HUA Min *(AC, NC and RC)*

Aged 62, has been an INED since September 2004 and Chairman of NC. Dr. Hua graduated from Fudan University with a Bachelor's degree in Economics and holds a Doctorate in World Economics from Fudan University. He is currently Chairman of the Institute of World Economy and Chief of Academic Committee of Fudan University. Dr. Hua is an advisor for doctoral candidates. He has been teaching and conducting research in world economics, China economics and finance at Fudan University since 1990. He is also an advisor to the Policy-Making Committee of Shanghai Municipal government.

ONG Ka Thai *(AC, NC and RC)*

Aged 58, has been an INED since June 1997 and Chairman of the RC. Mr. Ong is currently the Chairman of various companies including Ong Pacific (H.K.) Ltd., Ong First Tradition Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd. These companies are third parties independent of the Company and connected persons of the Company. Mr. Ong holds a Bachelor of Arts degree in Economics from the University of California at Los Angeles.

He had served as CEO for a number of multinational joint ventures. Currently, he is an INED of Singamas Container Holdings Ltd., a company listed on The Stock Exchange of Hong Kong Limited and a third party independent of the Company and connected persons of the Company. Mr. Ong was previously an INED of China Bohai Bank Limited.

Mr. Ong has over 36 years of experience in manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investments.

YICK Wing Fat, Simon *(AC, NC and RC)*

Aged 54, has been an INED since July 1999 and Chairman of the AC. Mr. Yick holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 30 years of experience in audit, direct investment, investment banking and corporate advisory services.

Mr. Yick also serves as an INED and Chairman of AC of Shenzhen Neptunus Interlong Bio-technique Co., Ltd. and China Singyes Solar Technologies Holdings Limited (both are listed on The Stock Exchange of Hong Kong Limited); Mr. Yick was also an INED and Chairman of the AC of China-Biotics, Inc., (a company previously listed on the Nasdaq Global Market in the USA) and resigned on 23 June 2011. These companies are third parties independent of the Company and connected persons of the Company.

CHEN Chi-chuan *(AC)*

Aged 55, has been a Non-Executive Director of the Company and a director of the Investment Manager since March 2003. Mr. Chen joined the Ruentex Group in Taiwan since 1987 and is currently the Vice President of Hei Hong Investment Co., Ltd., with responsibilities for all equity investment activities in Asia. Mr. Chen holds a Master's degree in Business Administration from the National Taiwan University.

BIOGRAPHICAL DETAILS OF DIRECTORS

LEE Tien-chieh

Aged 53, has been a Non-Executive Director since March 2005. Mr. Lee graduated with a Bachelor's degree in Business Management from the Tatung Institute of Technology of Taiwan, and has over 23 years of experience in financial management. Mr. Lee is currently the Vice President of the Finance Division of Ruentex Industries Limited, which is a substantial shareholder of the Company.

TSENG Ta-mon

Aged 54, has been a Non-Executive Director since March 2005. Mr. Tseng is a Barrister-at-Law. He is a law graduate from the National Chengchi University, Taiwan, and holds a Master's degree in Law from London University, a Bachelor's degree in Arts from Cambridge University and was called to the English Bar in 1985. Since 1993, Mr. Tseng is Special Assistant to the President and heads the legal department of the Ruentex Group of Companies in Taiwan and is currently an alternate director of APT Satellite Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and is a third party independent of the Company and connected persons of the Company.

ZHU Zhongqun

Aged 49, has been a Non-Executive Director since December 2010. Dr. Zhu has over 21 years' managerial experience in the banking, life insurance, securities and investment sectors in the People's Republic of China. From July 1991 to March 2000, Dr. Zhu held various senior positions with the People's Bank of China, China Development Bank and China Everbright Bank. In March 2000, he served as Assistant General Manager, then General Manager of the Beijing Branch of Ping An Insurance (Group) Company of China, Ltd. In February 2005, he was appointed as General Manager and Deputy Managing Director of Great Wall Life Insurance Company, Limited. Since March 2010, Dr. Zhu has been the Assistant to the General Manager of SIG.

Dr. Zhu is a senior economist having obtained his doctorate degree in economics from the Southwestern University of Finance and Economics in 2001.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining sound corporate governance standards and procedures to ensure integrity, transparency and quality of disclosure to promote the ongoing development of the long term best interests of the Company and to enhance value for all its shareholders ("Shareholders"). The Board has established procedures on corporate governance that comply with the requirements of the Code on Corporate Governance Practices (the "CG Code"), effective until 31 March 2012, contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In October 2011, the Stock Exchange published its consultation conclusions on the review of the CG Code and renamed it as the Corporate Governance Code (the "Revised CG Code") setting out the amendments that are to become effective from1 April 2012. The Board has reviewed and taken measures to adopt the Revised CG Code as the Company's code of corporate governance practices. During the financial year ended 31 December 2012, the Company has complied with the code provisions under the CG Code and the Revised CG Code, save and except for the following:

Code A.4.1 which provides that non-executive directors should be appointed for a specific term and subject to re-election.

The Company's Non-executive Directors do not have a specific term of appointment. However, they are subject to retirement by rotation once every three years pursuant to the Company's Articles of Association.

Code A.6.7 which provides for independent non-executive directors and other non-executive directors to, inter alia, attend general meetings.

At the Company's last Annual General Meeting held on 26 April 2012, one Independent Non-executive Director and three Non-executive Directors were unable to attend due to respective important prior engagements at the relevant time.

BOARD OF DIRECTORS

The Board has overall responsibility for the stewardship of the Company, which includes, inter alia, the determination of long term corporate objectives and strategies, assessment of investment projects, adoption of corporate governance practices, supervision of the Company's Investment Manager to ensure that the Company's operations are conducted in accordance with the objectives of the Company, and in reviewing financial performance. The Company's investment portfolio and daily operations are managed by the Investment Manager pursuant to the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager, details of which are set out on pages 34 to 36 under the heading "Investment Management and Administration Agreement and Continuing Connected Transactions".

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Composition

The Board currently comprises nine Directors of whom two are Executive Directors, four are Non-executive Directors and three are Independent Non-executive Directors ("INED"s). There has been no change in directorship during 2012. There is no designated Chairman or Chief Executive of the Board. All Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' respective biographical information is set out on pages 17 to 19 under the heading "Biographical Details of Directors". In addition, a list containing the names of the Directors and their roles and functions is published on the website of the Company at http://shanghaigrowth.etnet.com.hk and of the Hong Kong Exchanges and Clearing Limited ("HKEx") at http://www.hkexnews.hk.

All Directors have entered into respective letters of appointment with the Company. Code provision A.4.1 of the Revised CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Executive and Non-executive Directors do not have a specific term of appointment and are not entitled to any form of remuneration. However, they are subject to retirement by rotation once every three years pursuant to the Company's Articles of Association. Each of the INEDs is engaged for a term of two years and remunerated at HK$120,000 per annum.

Independent Non-Executive Directors

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs representing one-third of the Board.

INEDs are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. Each of the INEDs has filed a written confirmation to the Company confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change in circumstances which may affect their independence. The Company is of the view that all of its INEDs meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

Retirement and re-election of Directors

The Company's Articles of Association provides that any Director appointed by the Board, either to fill a vacancy or as an addition, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election by ordinary resolution. At such annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, including those appointed for a specific term. Re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. All Directors are subject to retirement by rotation at least once every three years or such other period as the Stock Exchange may from time to time prescribe. The Directors to retire by rotation shall include any Director who wishes to retire and does not offer himself for re-election. Further Directors to retire shall be those having been in office the longest since their last re-election of appointment and subject to retirement by rotation.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Board Meetings and Attendance

The Board meets regularly at least 4 times every year with Directors participating either in person or through electronic means of communication. Schedule of Board meetings are made available to Directors in advance to provide sufficient notice to Directors and facilitate maximum attendance. Formal notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board and committee meetings.

The Board held 9 Board meetings during the year ended 31 December 2012. Appropriate and sufficient information were provided in Board papers to Directors in a timely manner to keep them apprised of the Company's latest developments to enable them to make informed decisions on matters to be placed before the Board. Monthly reports are provided to Directors to keep them updated on the Company's operational and financial performance.

Attendance of individual Directors at Board meetings during the year ended 31 December 2012 was:

Number of meetings held			9
Name of Director	**Attendance**	**Name of Director**	**Attendance**
Dr. WANG Ching	9/9	Mr. LEE Tien-chieh	9/9
Mr. WU Bin	9/9	Mr. TSENG Ta-mon	6/9
Dr. HUA Min	8/9	Mr. CHEN Chi-chuan	6/9
Mr. ONG Ka Thai	9/9	Dr. ZHU Zhongqun	6/9
Mr. YICK Wing Fat Simon	9/9		

As at 31 December 2012, certain Directors of the Company, namely Dr. WANG Ching, Mr. WU Bin and Dr. ZHU Zhongqun are also directors of the Company's Investment Manager. Certain Directors of the Company, namely Mr. CHEN Chi-chuan, Mr. LEE Tien-chieh and Mr. TSENG Ta-mon, are also directors of the Ruentex Group of companies, a group of corporate entities based in Taiwan, some of which are substantial shareholders of the Company as at 31 December 2012. Details of such relationships are set out on pages 37 to 38 under the heading "Substantial Shareholders".

Save as disclosed above, to the best knowledge of the Company, there is no financial, business or family relationship among members of the Board as at 31 December 2012. All of them are free to exercise their individual judgment.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference. These are posted on the Company's website and on the HKEx's website and are available to the Shareholders upon request. Board committees report to the Board on their work, findings, decisions and recommendations pursuant to their respective terms of reference.

Board committees are provided with sufficient resources to discharge their duties and, upon request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee has been established since July 1999 and comprises four members, with all three of the Company's INEDs, namely, Mr. YICK Wing Fat Simon (Chairman), Dr. HUA Min and Mr. ONG Ka Thai, and one non-executive Director, namely, Mr. CHEN Chi-chuan. At least one of the members possesses appropriate qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

In light of the amendments of the Listing Rules which became effective on 1 April 2012, the Board adopted a revised terms of reference of the Audit Committee which are of no less exacting terms than those set out in the Revised CG Code and this is available on the websites of the Company and of the HKEx. The primary duties of the Audit Committee include:

a) To review the Company's financial statements and reports and consider any significant matters raised by the Investment Manager or the external auditors before submission to the Board.

b) To review the relationship with the Company's external auditors by reference to the work performed, its independence, remuneration and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

c) To review the adequacy and effectiveness of the Company's financial reporting system and internal control procedures.

d) To review arrangements that employees of the Company or the Investment Manager may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company, and to ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action.

Two meetings were held during the year ended 31 December 2012. Attendance of Audit Committee members at such meetings was:

Number of meetings held			2
Name of Director	**Attendance**	**Name of Director**	**Attendance**
Mr. YICK Wing Fat Simon (Chairman)	2/2	Dr. HUA Min	2/2
Mr. ONG Ka Thai	1/2	Mr. CHEN Chi-chuan	0/2

The Audit Committee reviewed the half-year results for the six months ended 30 June 2012 and the annual results for the year ended 31 December 2012 of the Company before their respective announcements. It has also reviewed the accounting principles and policies adopted by the Company and discussed with the Investment Manager on internal audit results, internal controls, compliance procedures and financial reporting matters. The Audit Committee also held a meeting with the external auditors in the absence of the Investment Manager, to discuss issues regarding audit or any matters that the external auditors may wish to raise to the Audit Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company's Remuneration Committee, established in March 2005, comprises all three INEDs, namely, Mr. ONG Ka Thai (Chairman), Mr. YICK Wing Fat Simon and Dr. HUA Min, and the two executive Directors, namely, Dr. WANG Ching and Mr. WU Bin.

In light of the amendments of the Listing Rules which became effective on 1 April 2012, the Board adopted a revised terms of reference of the Remuneration Committee and this is available on the websites of the Company and of the HKEx.

The primary duties of the Remuneration Committee include:

a) To establish formal and transparent procedures and structure in developing staff remuneration policies.

b) To review and make recommendations to the Board on remuneration packages of the Directors, taking into consideration such factors like salaries and compensation packages paid by comparable companies, time commitment and responsibilities required of Directors.

The Remuneration Committee met once during the year ended 31 December 2012, which was attended by all its members, and reviewed current remuneration policies of the Company for its staff and of its Directors by reference to market comparables.

NOMINATION COMMITTEE

The Company's Nomination Committee, established in February 2012, comprises all three INEDs, namely Dr. HUA Min (chairman), Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon. Its written terms of reference adopted by the Board by reference to the Revised CG Code are published on the websites of the Company and of the HKEx.

The primary duties of the Nomination Committee include:

a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board with regard to any proposed changes.

b) To identify suitably qualified individuals for appointment as additional Directors or fill Board vacancies as and when they arise and make recommendations to the Board.

c) To assess the independence of INEDs.

d) To report its decisions and make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning of Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Cont'd)*

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee met once during the year ended 31 December 2012, which was attended by all its members, and reviewed current Board composition and considered the qualifications of the retiring directors standing for election at the Annual General Meeting.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential in enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Executive Directors, Non-executive Directors, INEDs and chairman of respective Board committees (or their delegates) will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

During the year under review, the Company has amended its Articles of Association to reflect the relaxation of certain restrictions previously provided in the Articles of Association of the Company. Details of the amendments are set out in the circular of the Company dated 28 March 2012 to the Shareholders. An up-to-date version of the Company's Articles of Association is also available on the websites of the Company and of the HKEx.

To promote effective communication, the Company maintains a corporate website at http://shanghaigrowth.etnet.com.hk, where up-to-date information and published financial results, corporate governance practices and other information are posted. A Shareholders' communication policy has been adopted by the Board in September 2012 setting out relevant contact details and the Company's procedures in providing Shareholders with prompt and equal access to publicly available information on the Company. Such policy is published on the Company's website.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS *(Cont'd)*

Annual General Meeting ("AGM")

The Company's 2012 AGM was held on 26 April 2012. The chairman of the AGM exercised his power under the Company's Articles of Association to put each proposed resolution to the vote by way of a poll. All resolutions put to the Shareholders at the 2012 AGM were passed. The Company's Share Registrars were appointed as scrutineers to monitor and count the poll votes cast at the meeting. The results of the voting by poll were published on the websites of the Company and of the HKEx. The Executive Directors as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee, and the Company's external auditors attended the 2012 AGM to answer questions.

Attendance of Directors at the 2012 AGM was:

Name of Director	Attendance at 2012 AGM
Executive Directors:	
Dr. WANG Ching	✓
Mr. WU Bin	✓
Non-executive Directors:	
Mr. CHEN Chi-chuan	✗
Mr. LEE Tien-chieh	✗
Mr. TSENG Ta-mon	✗
Dr. ZHU Zhongqun	✓
INEDs:	
Dr. HUA Min	✓
Mr. ONG Ka Thai	✓
Mr. YICK Wing Fat Simon	✗

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the HKEx after each shareholder meeting.

Under Article 42 of the Company's Articles of Association, any two or more Shareholders holding not less than one-tenth of the paid-up capital of the Company, or any one Shareholder which is a clearing house, may requisition the Board of Directors of the Company to convene a general meeting of the Company, in accordance with the requirements and procedures set out in the Articles of Association of the Company. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Company Secretary at the registered office of the Company at P. O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Cont'd)*

A Shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with Article 42 of the Company's Articles of Association.

Without prejudice to the foregoing, if a Shareholder wishes to propose a person other than a retiring Director for election as a director of the Company at any general meeting (including an annual general meeting), the Shareholder shall lodge a written notice of his intention to propose such person for election as a director with the Company, during a period of at least seven days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting. Such written notice must be accompanied by a notice in writing signed by the person to be proposed of his willingness to be elected.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company's principal place of business as follows:

Address: Company Secretary
Room 2603A, 26th Floor
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Fax: +852 2840 1286

For the avoidance of doubt, Shareholder(s) must send the original duly signed notice, statement or enquiry (as the case may be) to the address immediately above, while written requisition(s) to convene a general meeting must be deposited at the registered office of the Company as stated in the relevant paragraph above. Full name, contact details and identification of each Shareholder must be provided in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing its corporate governance functions as required under the Revised CG Code and has adopted the code provision D.3.1 contained in the CG Code as the terms of reference for its corporate governance functions:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. In response to specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code throughout the financial year ended 31 December 2012.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment to enable him/her to gain an understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place in providing continuing briefing and professional development to Directors at the Company's expense to develop and refresh their knowledge and skills. From time to time the Company Secretary updates and provides Directors with relevant reference material, amendments to Listing Rules and news releases from the Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities. During the year the Company organised an in-house seminar for its Directors conducted by Messrs. Charltons, the Company's legal advisor on Hong Kong law, on directors' duties and responsibilities, and the Revised CG Code.

All Directors provide a record of their training to the Company Secretary. The individual training record of each Director during the year ended 31 December 2012 is summarised below:

Name of Director	Reading regulatory updates or other relevant reference material	Attending in-house or external seminars/ conferences
Executive Directors:		
Dr. WANG Ching	✓	✓
Mr. WU Bin	✓	✓
Non-executive Directors:		
Mr. CHEN Chi-chuan	✓	✓
Mr. LEE Tien-chieh	✓	✓
Mr. TSENG Ta-mon	✓	✓
Dr. ZHU Zhongqun	✓	✓
INEDs:		
Dr. HUA Min	✓	✓
Mr. ONG Ka Thai	✓	✓
Mr. YICK Wing Fat Simon	✓	✓

CORPORATE GOVERNANCE REPORT

INSURANCE

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company.

COMPANY SECRETARY

The Company Secretary, Mr. LIANG Kwan Wah Andrew, has been appointed in providing company secretarial services to the Company on a contract basis since 21 April 1995. As Company Secretary Mr. Liang supports the Board in ensuring Board procedures are followed and Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully apprised of relevant legislative, regulatory and corporate governance developments and for facilitating the induction and continuing professional development of Directors.

The appointment and dismissal of the Company Secretary are subject to Board approval in accordance with the Company's Articles of Association. Whilst the Company Secretary reports to Dr. WANG Ching, Executive Director of the Board, Directors have access to his advice and services. During the year, Mr. Liang has fulfilled professional training requirements in compliance with Rule 3.29 of the Listing Rules.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective system of internal controls in respect of financial, operational, compliance and risk management to safeguard the interests of the Company and of its Shareholders.

During the year, the Board has reviewed the effectiveness of the system of internal controls through the Audit Committee. Procedures in the review of internal control were performed by Mr. Liang as he solely provides company secretarial services to the Company on a contract basis with no involvement in any of the Company's day-to-day investment and operational matters. The review procedures covered the Company's internal controls, as well as those of the Investment Manager's so far as they are pertinent to its administration and management of the Company's investment portfolios and operations. The Board had concluded that the internal control systems were adequate and effective.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for the preparation of financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensured the timely publication of such financial statements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements, is set out in the Independent Auditors' Report on pages 40 to 41.

For the year ended 31 December 2012, services provided to the Company by its external auditors and the respective fees paid were:

	2012 US$
Audit services	33,997
Taxation compliance and other services	5,093
	39,090

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment company whose principal business is to make direct investments in operating companies and other entities established or having significant operations in, or doing business with, the People's Republic of China ("PRC"). The investment philosophy of the Company is in identifying, screening, analyzing, and conducting due diligence on investment potentials in Greater China, principally in wholly foreign owned enterprises, existing or newly established sino-foreign equity joint ventures or co-operative joint venture enterprises, joint stock companies, or other vehicles authorised for foreign investments under applicable laws of the PRC. The Company also invests in PRC-related listed securities with the same investment objective in achieving long term capital appreciation of the Company's assets.

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 December 2012 and the state of affairs of the Company at that date are set out in the financial statements on pages 42 to 43.

The directors recommend the payment of a special final dividend of US$0.10 per ordinary share in respect of the year to shareholders on the register of members on 26 April 2013. This recommendation has been incorporated in the financial statements as an allocation of share premium account within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 82. This summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

RESERVES

Details of movements in the reserves of the Company are set out in the statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law (Revised) of the Cayman Islands and the Company's Articles of Association amended on 12 May 2011, amounted to US$19,278,015, of which US$890,500 has been proposed as a special final dividend for the year, subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:
Dr. WANG Ching
Mr. WU Bin

Independent Non-Executive Directors ("INED"s):
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

All Directors are subject to retirement by rotation in accordance with the Company's Articles of Association ("Articles"). The INEDs were each appointed for a term of two years.

At the forthcoming annual general meeting of the Company, Dr. WANG Ching, Mr. LEE Tien-chieh and Mr. ONG Kai Thai will retire as Directors in accordance with Article 98(b) and 98(c) of the Company's Articles and pursuant to Appendix 14 of the Listing Rules, all of these retiring Directors, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The Company has received annual confirmations of independence from Dr. HUA Min, Mr. ONG Ka Thai and Mr. YICK Wing Fat, Simon, and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 17 to 19 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. ONG Ka Thai, Mr. YICK Wing Fat and Dr. HUA Min have service contracts with the Company for a term of two years as an INED of the Company which commenced on, 1 June 2011, 1 August 2011 and 28 September 2012 respectively, and are subject to termination by either party giving not less than one month's written notice. Each INED is entitled to annual remuneration of HK$120,000.

In compliance with new corporate governance Code Provision D.1.4, Executive Directors and other non-Executive Directors have also executed respective service contracts with the Company for an indefinite term, with no entitlement to any remuneration from the Company.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Company.

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager"), in accordance with the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager dated 12 November 1993, as supplemented by supplemental agreements dated 22 January 2001, 12 September 2001, 3 November 2003, 11 April 2005, 28 March 2008 and 28 March 2011 respectively (collectively referred to as the "Supplemental Agreements"). For the aforesaid continuing connected transaction, certain details are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules.

In accordance with the terms of the agreements, the Investment Manager is entitled to receive management fee inclusive of administration fee and an incentive fee.

The investment management and administration fee is calculated in United States Dollars ("US$") and payable quarterly in advance, at the rate of 0.5% per quarter of the net asset value (calculated before deduction of 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. The Investment Manager is entitled to an incentive fee equal to 15% of the amount on top and above that portion of the net asset value of each of the assets which represent listed securities (the "Listed Investment Portfolio") or assets which represent unlisted securities or interest (the "Unlisted Investment Portfolio") as at 31 December of each year exceeding 115% of that portion of the net asset value of the respective Listed Investment Portfolio or Unlisted Investment Portfolio as at 31 December of the immediately preceding year. The incentive fee so determined and the payment thereof to the Investment Manager in respect of the Listed Investment Portfolio or the Unlisted Investment Portfolio shall be independent of each of such portfolios.

Since the Company pays annual and in particular special dividends to its shareholders, which permanently reduced the net asset value, the Company and the Investment Manager agreed that with effect from 1 July 2008, no incentive fee shall be payable to the Investment Manager if the net asset value per share of the Company at 31 December of the relevant year is less than US$2.60, and thereafter such threshold shall be adjusted annually according to the actual amount of special dividends paid out during the immediately preceding year(s) and that any such adjustments shall be approved by the Board in accordance with the Articles of the Company. The threshold is now adjusted to US$1.40 subsequent to special dividend payouts of US$1.20 from 1 July 2008 to 30 June 2011. The fifth supplementary agreement of the Investment Management Agreement dated 28 March 2008 also stated that the cap on total fees payable to the Investment Manager should not exceed US$2,800,000 from 1 January 2011 to 30 June 2011.

DIRECTORS' REPORT

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

On 28 March 2011, the Company and the Investment Manager entered into a Sixth Supplemental Agreement, which was approved by the independent shareholders of the Company at the annual general meeting held on 12 May 2011. The terms were amended as follows:

- The appointment of the Investment Manager is extended for a term of 3 years commencing from 1 July 2011 and either the Investment Manager or the Company can terminate the appointment by giving not less than two months' notice in writing to either party; and

- The incentive fee is to be calculated at 15% of the excess amount by which the Net Asset Value as at 31 December 2011 exceeds 115% of the Net Asset Value as at 31 December 2010. The actual amount of special dividends (if any) paid out by the Company during 2011 shall be deducted from the Net Asset Value of the Company as at 31 December 2010 when calculating the growth of the Net Asset Value of the Company; and

- With effect from year ending 31 December 2012, the incentive fee is to be calculated at 20% of the excess amount by which the Net Asset Value of the Company as at 31 December of each year of the term of the Sixth Supplemental Agreement exceeds 108% of the Net Asset Value of the Company as at 31 December of the immediately preceding year. The actual amount of special dividends (if any) paid out by the Company in the relevant year shall be deducted from the Net Asset Value of the Company as at 31 December of the immediately preceding year when calculating the growth of the Net Asset Value of the Company. In the event that the Company raises new capital in the relevant year, such new capital shall be deducted from the Net Asset Value of the Company as at 31 December of the relevant year for purpose of determining the incentive fee; and

- With effect from 1 July 2011, after adjustment on payments of special dividend in each year from 2008 to 2011, no incentive fee shall be payable to the Investment Manager if the net asset value per share of the Company at 31 December of the relevant year is less than US$1.40. Thereafter such threshold shall be adjusted annually (or such other period as the Board deems appropriate) according to the actual amount of special dividends paid at during the immediately preceding year(s). Any such adjustment shall be approved by the Board in accordance with the Articles; and

- New caps were determined on the total fees payable to the Investment Manager during each of the following periods ("New Cap"):

  – Not exceeding US$5,500,000 from 1 July 2011 to 31 December 2011

  – Not exceeding US$1,200,000 for the year of 2012

  – Not exceeding US$2,000,000 for the year of 2013

  – Not exceeding US$620,000 from 1 January 2014 to 30 June 2014

During the year ended 31 December 2012, investment management and administration fees of US$437,609 were paid to the Investment Manager, no incentive fee was entitled during the relevant period.

DIRECTORS' REPORT

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

The INEDs of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Company in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

As at 31 December 2012, Dr. WANG Ching, Mr. WU Bin and Dr. ZHU Zhongqun are also directors of the Investment Manager.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

None of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 31 December 2012.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

None of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

At no time during the year was the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2012, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of US$0.10 each of the Company

Name	**Capacity**	**Number of shares**	**Percentage of total issued shares**	*Notes*
Mr. Bart M. Schwartz	Receiver of Gabriel Capital, L.P. and Ariel Fund Limited	1,061,817	11.92%	*(1)*
Mr. J. Ezra Merkin	Held by controlled corporation	494,843	5.56%	*(1)*
Gabriel Capital Corporation	Held by controlled corporation	1,127,739	12.66%	*(1)*
Ariel Fund Limited	Beneficial owner	632,896	7.11%	*(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)*

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Cont'd)*

Notes:

(1) Mr. Bart M. Schwartz ("Receiver") was appointed on 29 May 2009 as the receiver of Gabriel Capital, L.P. and Ariel Fund Limited, each of them were holding 428,921 shares and 632,896 shares of the Company respectively. Mr. J. Erza Merkin's indirect interests in the Company were 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 held indirect interest in the Company through its 100% ownership in Full Shine International 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 International (BVI) Ltd.

Save as disclosed above, as at 31 December 2012, no person had registered an interest or short position in shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

A substantial portion of the Company's income is derived from the Company's investments and bank deposits and the disclosure of information regarding customers would not be meaningful. The Company has no major suppliers requiring disclosure.

EMOLUMENT POLICY

The emolument policy of the employee of the Company is set up by the Remuneration Committee based on the employee's credential qualifications and competence.

The emoluments of the INEDs are decided by the Board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

No emoluments are determined for the executive directors or the non-executive directors of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not purchase, redeem or sell any of the Company's shares during the year.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Listing Rules.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
WANG Ching
Executive Director

Hong Kong, 20 March 2013

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

To the shareholders of
SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED
(An exempted company incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Shanghai International Shanghai Growth Investment Limited (the "Company") set out on pages 42 to 81, which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

20 March 2013

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 US$	2011 US$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income		**57,488**	35,665
Dividend income		**38,006**	423,991
Net change in unrealised (loss)/gain on financial assets at fair value through profit or loss	*6*	**(2,344,190)**	3,819,707
Net gain/(loss) on disposal of available-for-sale investments	*6*	**359,059**	(657,104)
Impairment loss on available-for-sale investments	*6*	**(661,574)**	–
Realised gain on financial asset at fair value through profit or loss	*6*	**1,536**	–
Exchange gain		**22,136**	40,776
		(2,527,539)	3,663,035
EXPENSES			
Investment manager's fees	*17(a)*	**(437,609)**	(506,075)
Administrative expenses		**(481,535)**	(458,380)
		(919,144)	(964,455)
(Loss)/profit before tax	*5*	**(3,446,683)**	2,698,580
Income tax expense	*8*	**–**	(210,000)
(LOSS)/PROFIT FOR THE YEAR		**(3,446,683)**	2,488,580
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Change in fair value of available-for-sale investments		**608,919**	(1,694,480)
Reclassification adjustment for (gain)/loss included in profit or loss upon disposal		**(359,059)**	657,104
Impairment loss on available-for-sale investments		**661,574**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**911,434**	(1,037,376)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,535,249)**	1,451,204
(LOSS)/EARNINGS PER SHARE – BASIC AND DILUTED	*10*	**(38.71 cents)**	27.95 cents

Details of the dividend proposed for the year are disclosed in note 9 to the financial statements.

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 US$	2011 US$
NON-CURRENT ASSETS			
Available-for-sale investments	11	**2,109,586**	1,437,760
Financial assets at fair value through profit or loss	12	**11,855,810**	–
Total non-current assets		**13,965,396**	1,437,760
CURRENT ASSETS			
Available-for-sale investments	11	**–**	500,000
Financial assets at fair value through profit or loss	12	**–**	14,200,000
Prepayments and other receivables	13	**681,838**	909,202
Cash and bank balances	14	**5,783,179**	6,808,139
Total current assets		**6,465,017**	22,417,341
CURRENT LIABILITIES			
Accruals		**49,715**	44,637
Amount due to investment manager	17(b)	**2,183**	6,200
Tax provision	8	**210,000**	210,000
Total current liabilities		**261,898**	260,837
NET CURRENT ASSETS		**6,203,119**	22,156,504
NET ASSETS		**20,168,515**	23,594,264
EQUITY			
Share capital	15	**890,500**	890,500
Reserves		**18,387,515**	21,813,264
Proposed dividend	9	**890,500**	890,500
Total equity		**20,168,515**	23,594,264
NET ASSET VALUE PER SHARE	16	**2.26**	2.65

WANG Ching
Director

WU Bin
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Notes	Issued capital US$	Share premium account US$	Available-for-sale investments revaluation reserve US$ *(Note a)*	Capital reserve US$ *(Note b)*	Retained profits/ (accumulated losses) US$	Proposed dividend US$	Total US$
At 1 January 2011		890,500	13,847,935	278,573	10,034,865	(2,908,813)	8,905,000	31,048,060
Profit for the year		–	–	–	–	2,488,580	–	2,488,580
Other comprehensive income for the year:								
Net loss on change in fair value of available-for-sale investments, net of tax *(Note a)*		–	–	(1,694,480)	–	–	–	(1,694,480)
Reclassification adjustment for loss included in profit or loss upon disposal		–	–	657,104	–	–	–	657,104
Total comprehensive income for the year		–	–	(1,037,376)	–	2,488,580	–	1,451,204
Transfer from retained profits/ (accumulated losses):								
Net unrealised gain on change in fair value of financial assets at fair value through profit or loss	6	–	–	–	3,819,707	(3,819,707)	–	–
2010 special final dividend paid		–	–	–	–	–	(8,905,000)	(8,905,000)
Proposed 2011 final dividend	9	–	–	–	–	(890,500)	890,500	–
Transfer to retained profits/ (accumulated losses) *(Note b)*:								
Net realised gain upon disposal of investments and impairment loss on available-for-sale investments included in capital reserve in prior years		–	–	–	(6,082,323)	6,082,323	–	–
At 31 December 2011		890,500	13,847,935*	(758,803)*	7,772,249*	951,883*	890,500	23,594,264

continued/…

STATEMENT OF CHANGES IN EQUITY *(Cont'd)*

Year ended 31 December 2012

	Notes	Issued capital US$	Share premium account US$	Available-for-sale investments revaluation reserve US$ *(Note a)*	Capital reserve US$ *(Note b)*	Retained profits/ (accumulated losses) US$	Proposed dividend US$	Total US$
At 1 January 2012		890,500	13,847,935	(758,803)	7,772,249	951,883	890,500	23,594,264
Loss for the year		–	–	–	–	(3,446,683)	–	(3,446,683)
Other comprehensive income for the year:								
Net gain on change in fair value of available-for-sale investments, net of tax *(Note a)*		–	–	608,919	–	–	–	608,919
Reclassification adjustment for gain included in profit or loss upon disposal		–	–	(359,059)	–	–	–	(359,059)
Impairment loss on available-for-sale investments	6	–	–	661,574	–	–	–	661,574
Total comprehensive income for the year		–	–	911,434	–	(3,446,683)	–	(2,535,249)
Transfer from retained profits/(accumulated losses):								
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	6	–	–	–	(2,344,190)	2,344,190	–	–
2011 final dividend paid		–	–	–	–	–	(890,500)	(890,500)
Proposed 2012 special final dividend	9	–	(890,500)	–	–	–	890,500	–
Transfer to retained profits/ (accumulated losses) *(Note b)*:								
Net unrealised loss on financial assets at fair value through profit or loss upon disposal		–	–	–	580,293	(580,293)	–	–
At 31 December 2012		890,500	12,957,435*	152,631*	6,008,352*	(730,903)*	890,500	20,168,515

* These reserve accounts comprise the consolidated reserves of US$18,387,515 (2011: US$21,813,264) in the statement of financial position.

Notes:

a) 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.

b) Before year 2011, as required by the Company's Articles of Association, gains and losses on realisation and revaluation of investments should not be available for distribution as dividends. Those fair value gains/losses and impairments on investments recognised in profit or loss were transferred to the capital reserve in the period in which they arose.

Pursuant to the Company's Amended and Restated Memorandum and Articles of Association passed on 12 May 2011, profits arising from the realisation of investments shall be available for distribution as dividends. Profits arising from revaluation of investments may be available for distribution as dividends only at the discretion of the board of directors. Accordingly, the Company transferred all the realised gains and losses on investments and impairments on available-for-sale investments included in the capital reserve in prior years to retained profits in last year.

At 31 December 2012, the balance of the capital reserve represented the unrealised gain/(loss) of financial assets at fair value through profit or loss.

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 US$	2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(3,446,683)**	2,698,580
Adjustments for:			
Interest income		**(57,488)**	(35,665)
Dividend income		**(38,006)**	(423,991)
Net (gain)/loss on disposal of available-for-sale investments		**(359,059)**	657,104
Realised gain on financial asset at fair value through profit or loss		**(1,536)**	–
Net loss/(gain) on change in fair value of financial assets at fair value through profit or loss		**2,344,190**	(3,819,707)
Impairment loss on available-for-sale investments		**661,574**	–
Operating cash flows before movements in working capital		**(897,008)**	(923,679)
Proceeds from disposal of available-for-sale investments		**6,305,757**	4,046,547
Purchase of available-for-sale investments		**(5,868,664)**	(3,651,518)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,536**	-
Decrease in prepayments and other receivables		**227,364**	72,518
Increase/(decrease) in accruals		**5,078**	(832)
Decrease in an amount due to investment manager		**(4,017)**	(1,317,693)
Cash used in operations		**(229,954)**	(1,774,657)
Interest received		**57,488**	35,665
Dividend received		**38,006**	423,991
Net cash used in operating activities		**(134,460)**	(1,315,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid and net cash flows used in financing activities	9	**(890,500)**	(8,905,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,024,960)**	(10,220,001)
Cash and cash equivalents at beginning of year		**6,808,139**	17,028,140
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	**5,783,179**	6,808,139

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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 with stock code 770 are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the Company was principally engaged in making direct investments in operating companies and other entities established or having significant operations in, or doing business with, the People's Republic of China ("PRC").

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under 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 value.

These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest dollar except when otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Company is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Company expects to adopt the amendments from 1 January 2013.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Company expects to adopt HKFRS 9 from 1 January 2015. The Company will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Company to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Company.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Company is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Company expects that these amendments will not have any impact on the Company.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Company is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Company expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Company expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Company expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Company upon adoption on 1 January 2014.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Company expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Company. Those amendments that are expected to have a significant impact on the Company's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments*: *Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Related parties *(Cont'd)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company's financial assets include cash and bank balances, prepayments, deposits and other receivables, and quoted and unquoted financial instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Company evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in income interest in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in retained profits/(accumulated losses), or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to the statement of comprehensive income in retained profits/(accumulated losses). Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Company has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and reward of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

Financial assets carried at amortised cost *(Cont'd)*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include accruals and an amount due to the investment manager.

Subsequent measurement

Financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Cash and cash equivalents

For the purpose of the statement of cash flows and the statement of financial position, cash and cash equivalents comprise cash at bank, which is not restricted as to use, is subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Company's cash management.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis.

Income tax

The Cayman Islands

Under the current Cayman Islands law, there are no income tax, corporation tax, capital gains tax or any other kinds of tax on profits or gains or tax in the nature of estate duty or inheritance tax currently in effect.

Hong Kong

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income tax *(Cont'd)*

Hong Kong *(Cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income from investments in securities is recognised when the shareholders' right to receive payment has been established.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits/(accumulated losses) within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare the interim dividends. Consequently, interim dividends are recognised immediately as liability when they are proposed and declared.

Foreign currencies

The financial statements are presented in United States dollars, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences are recognised in to the statement of comprehensive income.

For the purpose of presenting the financial statements, the assets and liabilities of the Company are translated into the presentation currency of the Company (i.e., the United States dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on the translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Retirement benefit scheme

The Company operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Company's management has made an assessment on the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Fair value of financial instruments

When the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as the share price of the underlying investment, correlation, volatility and transactions of shares. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

HKFRS 7 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis.

The fair value of unlisted available-for-sale investments at 31 December 2012 was US$597,741 (2011: US$1,022,544). There was no unlisted financial asset at fair value through profit or loss at 31 December 2012 (2011: US$14,200,000). Further details are included in notes 11 and 12 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING 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, including the performance of Global Market Group Limited ("GMG") which was listed on the Alternative Investment Market of the London Stock Exchange on 22 June 2012

Unlisted securities – Investments in unlisted equity securities and redeemable convertible preference shares

Further details of the Company's investments are included in notes 11 and 12 to the financial statements.

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

	Listed securities US$	Unlisted securities US$	Total US$
Year ended 31 December 2012			
Segment results	**(2,189,583)**	**(417,580)**	**(2,607,163)**
Interest income from bank deposits and advances			**57,488**
Exchange gain			**22,136**
Unallocated expenses			**(919,144)**
Loss before tax			**(3,446,683)**
Year ended 31 December 2011			
Segment results	(619,975)	4,206,569	3,586,594
Bank interest income			35,665
Exchange gain			40,776
Unallocated expenses			(964,455)
Profit before tax			2,698,580

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4. OPERATING SEGMENT INFORMATION *(Cont'd)*

For the year ended 31 December 2012, segment results represented the net gain/(loss) on disposal of listed and unlisted equity securities classified as available-for-sale investments, impairment loss recognised in respect of available-for-sale investments, net gain/(loss) on fair value of listed equity securities classified as financial assets at fair value through profit or loss, and the corresponding interest income as well as dividend income earned by each segment without the allocation of administrative expenses and interest income from bank deposits and advances as well as investment manager's fees.

As management considers the Company's nature of business is investment holding, there was no information regarding major customers as determined by the Company and 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$
At 31 December 2012			
Available-for-sale investments	**1,511,845**	**597,741**	**2,109,586**
Financial assets at fair value through profit or loss	**11,855,810**	**–**	**11,855,810**
Total segment assets	**13,367,655**	**597,741**	**13,965,396**
Unallocated assets			**6,465,017**
Total assets			**20,430,413**
At 31 December 2011			
Available-for-sale investments	915,216	1,022,544	1,937,760
Financial assets at fair value through profit or loss	–	14,200,000	14,200,000
Total segment assets	915,216	15,222,544	16,137,760
Unallocated assets			7,717,341
Total assets			23,855,101

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than prepayments and other receivables, and cash and bank balances.

All liabilities as at 31 December 2012 and 31 December 2011 were unallocated liabilities.

NOTES TO FINANCIAL STATEMENTS

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5. (LOSS)/PROFIT BEFORE TAX

The Company's (loss)/profit before tax is arrived at after charging:

	2012	2011
	US$	US$
Auditors' remuneration	**33,997**	33,187
Custodian fee	**15,656**	12,266
Staff costs (excluding directors' remuneration)		
Salaries and other benefits of an employee	**66,516**	68,593
Retirement benefits costs	**6,467**	6,447

6. GAIN OR LOSS ON INVESTMENTS

	Listed securities	**Unlisted securities**	**Total**
	US$	**US$**	**US$**
At 31 December 2012			
Included in profit or loss:			
Realised gain:			
Available-for-sale investments	**125,112**	**233,947**	**359,059**
Financial assets at fair value through profit or loss	**–**	**1,536**	**1,536**
	125,112	**235,483**	**360,595**
Unrealised loss:			
Available-for-sale investments	**–**	**(661,574)**	**(661,574)**
Financial assets at fair value through profit or loss	**(2,344,190)**	**–**	**(2,344,190)**
	(2,344,190)	**(661,574)**	**(3,005,764)**
Total realised and unrealised loss included in profit or loss	**(2,219,078)**	**(426,091)**	**(2,645,169)**
Included in other comprehensive income:			
Unrealised gain:			
Available-for-sale investments	**174,663**	**75,197**	**249,860**
Total realised and unrealised loss for the year	**(2,044,415)**	**(350,894)**	**(2,395,309)**

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6. GAIN OR LOSS ON INVESTMENTS *(Cont'd)*

	Listed securities US$	Unlisted securities US$	Total US$
At 31 December 2011			
Included in profit or loss:			
Realised loss:			
Available-for-sale investments	(657,104)	–	(657,104)
	(657,104)	–	(657,104)
Unrealised gain:			
Financial assets at fair value through profit or loss	–	3,819,707	3,819,707
Total realised and unrealised gain/(loss) included in profit or loss	(657,104)	3,819,707	3,162,603
Included in other comprehensive income:			
Unrealised loss:			
Available-for-sale investments	(28,224)	(1,009,132)	(1,037,356)
Total realised and unrealised gain/(loss) for the year	(685,328)	2,810,575	2,125,247

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") of the Hong Kong Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2012 US$	2011 US$
Fees:		
Dr. HUA Min	**15,477**	15,431
Mr. ONG Ka Thai	**15,477**	15,431
Mr. YICK Wing Fat, Simon	**15,477**	15,431
	46,431	46,293

Except for the directors' fee paid to the independent non-executive directors totalling US$46,431 (2011: US$46,293), none of the directors has received any emoluments for both years.

There were no other emoluments payable to the directors during the year (2011: Nil).

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8. INCOME TAX

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 year ended 31 December 2012 (2011: Nil).

	2012	2011
	US$	US$
Current – Hong Kong		
Underprovision in prior years	**–**	210,000

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2012		2011	
	US$	**%**	US$	%
(Loss)/profit before tax	**(3,446,683)**		2,698,580	
Tax at the statutory tax rate	**(568,702)**	**(16.5)**	445,266	16.5
Adjustments in respect of current tax of previous periods	**–**	**–**	210,000	7.8
Tax losses not recognised	**52,668**	**1.5**	–	–
Income not subject to tax	**(58,235)**	**(1.7)**	(808,355)	(30.0)
Expenses not deductible for tax	**574,269**	**16.7**	363,089	13.5
Tax charge at the effective rate	**–**	**–**	210,000	7.8

9. DIVIDEND

	2012	2011
	US$	US$
Proposed special final dividend – US$0.10 (2011 final dividend: US$0.10) per ordinary share	**890,500**	890,500

The proposed special final dividend for the year, to be paid out of the Company's share premium account, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

NOTES TO FINANCIAL STATEMENTS

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10. (LOSS)/EARNINGS PER SHARE – BASIC AND DILUTED

The calculation of basic (loss)/earnings per share is based on the loss for the year of US$3,446,683 (2011: profit of US$2,488,580) and the weighted average number of ordinary shares of 8,905,000 (2011: 8,905,000) in issue during the year.

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2012 and 2011.

11. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2012 US$	2011 US$
Non-current:			
Listed equity investments, at fair value:			
Hong Kong	*(i)*	**1,511,845**	915,216
Unlisted equity investments, at fair value:			
Taiwan	*(ii)*	**597,741**	522,544
		2,109,586	1,437,760
Current:			
Unlisted equity investments, at fair value:			
Mainland China	*(iii)*	**–**	500,000
		2,109,586	1,937,760

Notes:

(i) The Company's investments in listed equity securities are held for the long-term and are non-trading in nature and are designated 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.

During the year, the gross fair value gain in respect of the Company's available-for-sale investments recognised in other comprehensive income amounted to US$608,919 (2011: loss of US$1,694,480), of which a gain of US$125,112 (2011: loss of US$657,104) was reclassified from other comprehensive income to the statement of comprehensive income upon disposal for the year.

(ii) Unlisted shares of C-Media Electronic Inc. ("C-Media"), a company listed in Taiwan, were acquired by the Company under a private placement subscription on 11 May 2010. The Company is subject to a maximum three-year lock-up restriction under the rules of the relevant jurisdiction from that day.

(iii) In December 2012, the Company's investments in unlisted equity securities, China Material Technology Limited ("CMT"), went into voluntarily liquidation after distribution of assets to shareholders. The disposal of CMT's subsidiary and receipt of sale proceeds were completed in December 2012 with a gain of US$53,505. The liquidation and strike off procedures of CMT are expected to complete in 2013.

(iv) As at 31 December 2011, the Company's investments in unlisted equity securities included fully impaired equity securities of Shanghai Hua Xin High Biotechnology Inc. ("Hua Xin") and Shanghai Xinpu Transportation Co., Ltd. ("Xinpu"). The Company disposed of all its interest in Hua Xin for a consideration of RMB1,150,000, equivalent to US$180,442. In view of the long liquidation process of Xinpu, the Directors of the Company have decided on a complete write-off of this investment in prior years.

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12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 **US$**	2011 US$
Non-current:		
Ordinary shares:		
GMG	**11,855,810**	–
Current:		
Redeemable convertible preference shares:		
GMG	**–**	14,200,000

The above financial assets at 31 December 2012 and 2011 were upon initial recognition, designated by the Company as at fair value through profit or loss.

In March 2008, the Company acquired 1,530,769 Series B Preferred Shares in GMG at 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 as a result of 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 at 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 a special dividend to GMG's shareholders for acquiring the shares in its spun-off business entity, Global Market International Limited ("GMIL"). The Company subscribed 169,334 Series A Preferred Shares and 2,248,553 Series B Preferred Shares in GMIL ("GMIL Preferred Shares") at 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.

Both GMG Preferred Shares and GMIL Preferred Shares were convertible into ordinary shares of GMG and GMIL, respectively, at the option of the Company, and would 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 would be redeemable by the Company after 31 December 2011 and 31 December 2013, respectively, at 100%, repayable over the subsequent three years, and would bear interest at 8% per annum from that respective redemption date.

GMG Preferred Shares were consolidated at a ratio of 5:1 and thereafter automatically converted into a total of 8,734,897 ordinary shares of GMG, representing 9.67% of GMG's total issued ordinary shares, immediately prior to the placing of GMG's newly issued ordinary shares and admission to trading on the Alternative Investment Market of the London Stock Exchange on 22 June 2012. The Company classified the investment in GMG as non-current asset at 31 December 2012, which is in line with the Company's long term appreciation investment strategy and also in view of the ultimate business plan of GMG to be listed on the Hong Kong Stock Exchange in the future.

In view of the net deficit financial position of GMIL, the fair value of GMIL Preferred Shares was zero as at 31 December 2011. Pursuant to a sale and purchase agreement dated 30 June 2012, the Company disposed all of GMIL Preferred Shares for a consideration of US$1,536 to another shareholder of GMIL. Sale proceeds were received on 11 July 2012.

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13. PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
	US$	US$
Prepayments and deposits	**681,041**	48,090
Other receivables	**797**	861,112
	681,838	909,202

An amount due from a shareholder of US$851,583 included in other receivables as at 31 December 2011 was fully repaid in 2012.

14. CASH AND BANK BALANCES

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash and bank balances are deposited with a creditworthy bank, which management believes is of high credit quality.

15. SHARE CAPITAL

	2012	2011
	US$	US$
Authorised:		
18,000,000 (2011: 18,000,000) ordinary shares of US$0.10 each	**1,800,000**	1,800,000
Issued and fully paid:		
8,905,000 (2011: 8,905,000) ordinary shares of US$0.10 each	**890,500**	890,500

16. NET ASSET VALUE PER SHARE

The calculation of net asset value ("NAV") per share is based on the Company's NAV as at 31 December 2012 of US$20,168,515 (31 December 2011: US$23,594,264) and the number of ordinary shares of 8,905,000 in issue as at 31 December 2012 (31 December 2011: 8,905,000).

NOTES TO FINANCIAL STATEMENTS

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17. 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 year:

	Notes	**2012** **US$**	2011 US$
Investment management and administration fees charged by the investment manager	*(i)*	**437,609**	506,075
Interest income received from a shareholder of the Company	*(ii)*	**50,025**	–

(i) Certain directors of the investment manager, Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager"), 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.

With effect from the year ended 31 December 2012, the Investment Manager is entitled to an incentive fee equal to 20% of the excess amount by which the NAV of the Company as at 31 December of each year exceeding 108% of the NAV of the Company as at 31 December of the immediately preceding year. The actual amount of special dividends paid out in the relevant year shall be deducted from the NAV of the Company as at 31 December of the immediately preceding year when calculating the growth of the NAV. In the event that the Company raises new capital in the relevant year, for the purpose of determining the incentive fee, such new capital shall be deducted from the NAV of the Company as at 31 December of the relevant year.

During the year ended 31 December 2012, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (2011: nil), in accordance with the incentive fee calculation of the Investment Management Agreements.

The above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The interest income was received from a shareholder of the Company for the advance to the shareholder as detailed in note 17(b)(ii) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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

(b) Outstanding balances with related parties:

(i) The amount due to the Investment Manager is unsecured, interest-free, and repayable on demand.

(ii) Included in prepayments and other receivables as at 31 December 2011 was an amount due from a shareholder of the Company of US$851,583, which was fully repaid in April 2012.

(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 disclosed in note 7 to the financial statements.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2012

Financial assets	**Financial assets at fair value through profit or loss* US$**	**Loans and receivables US$**	**Available-for-sale financial assets US$**	**Total US$**
Financial assets at fair value through profit or loss	**11,855,810**	**–**	**–**	**11,855,810**
Available-for-sale investments	**–**	**–**	**2,109,586**	**2,109,586**
Financial assets included in prepayments and other receivables	**–**	**663,128**	**–**	**663,128**
Cash and bank balances	**–**	**5,783,179**	**–**	**5,783,179**
	11,855,810	**6,446,307**	**2,109,586**	**20,411,703**

* Designated as such upon initial recognition

Financial liabilities	**Financial liabilities at amortised cost US$**
Amount due to investment manager	**2,183**

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18. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2011

Financial assets	Financial assets at fair value through profit or loss* US$	Loans and receivables US$	Available-for-sale financial assets US$	Total US$
Financial assets at fair value through profit or loss	14,200,000	–	–	14,200,000
Available-for-sale investments	–	–	1,937,760	1,937,760
Financial assets included in prepayments and other receivables	–	861,112	–	861,112
Cash and bank balances	–	6,808,139	–	6,808,139
	14,200,000	7,669,251	1,937,760	23,807,011

* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US$
Amount due to investment manager	6,200

19. FAIR VALUE HIERARCHY

The available-for-sale investments and financial assets at fair value through profit or loss held by the Company (both current and non-current assets) are carried at fair value. All other financial assets and liabilities are carried at amortised cost and their carrying amounts approximate to their respective fair values due to the relatively short-term nature of these financial instruments.

The Company uses the following hierarchy for determining and disclosing the fair values 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)

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19. FAIR VALUE HIERARCHY *(Cont'd)*

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
31 December 2012				
Financial assets at fair value through profit or loss				
Listed equity securities	**11,855,810**	**–**	**–**	**11,855,810**
Available-for-sale financial assets				
Listed equity securities	**1,511,845**	**–**	**–**	**1,511,845**
Unlisted equity securities	**–**	**–**	**597,741**	**597,741**
Total	**13,367,655**	**–**	**597,741**	**13,965,396**
31 December 2011				
Financial assets at fair value through profit or loss				
Unlisted redeemable convertible preference shares	–	–	14,200,000	14,200,000
Available-for-sale financial assets				
Listed equity securities	915,216	–	–	915,216
Unlisted equity securities	–	–	1,022,544	1,022,544
Total	915,216	–	15,222,544	16,137,760

During the year, there were no transfers of fair value measurements between Level 1 and Level 2.

The Company did not have any financial liabilities measured at fair value as at 31 December 2012 and 2011.

As detailed in note 11 to the financial statements, the investments in C-Media shares are unlisted and are currently subject to a lock-up restriction. The fair value of the investments in C-Media is valued by the equity pricing model which involves assumptions by default. Management of the Company considers the fair value of C-Media investment to be reliance on unobservable inputs and hence classified the investments' fair value measurement as Level 3 of the fair value hierarchy.

As detailed in note 12 to the financial statements, GMG listed its equity shares on the Alternative Investment Market of the London Stock Exchange on 22 June 2012 and they are currently traded in the market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy for the year ended 31 December 2012.

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19. FAIR VALUE HIERARCHY *(Cont'd)*

Reconciliation of Level 3 fair value measurements of financial assets:

Financial assets at fair value through profit or loss

	2012	2011
	US$	US$
At 1 January	**14,200,000**	10,380,293
Net change in unrealised gain recognised in the statement of comprehensive income	**3,633,602**	3,819,707
Transfer out to Level 1	**(17,833,602)**	–
At 31 December	**–**	14,200,000

Available-for-sale investments

	2012	2011
	US$	US$
At 1 January	**1,022,544**	2,031,676
Net change in unrealised gain recognised in other comprehensive income	**309,145**	(1,009,132)
Disposals	**(733,948)**	–
At 31 December	**597,741**	1,022,544

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments include investments in listed securities, unlisted securities and redeemable convertible preference shares, cash and bank balances and an amount due to the Investment Manager. The main risks arising from the Company's financial instruments are equity price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Market risk

The Company's exposures to market risk include equity price risk, foreign currency risk and interest rate risk.

(i) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Company is exposed to equity price risk arising from mainly the individual listed equity investments classified as available-for-sale equity investments (note 11), as well as financial assets at fair value through profit or loss as at the end of the reporting period (note 12).

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Market risk *(Cont'd)*

(i) Equity price risk *(Cont'd)*

Available-for-sale investments

The Company's listed equity investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Hong Kong Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year are as follows:

	31 December 2012	**High/low 2012**	31 December 2011	High/low 2011
Hong Kong – Hang Seng Index ("HSI")	**22,657**	**22,667/ 18,186**	18,434	24,420/ 16,250

The Company views the HSI as an indication of a reasonably possible market movement for its securities listed in Hong Kong. The following table demonstrates the sensitivity to a reasonably possible 22.91% (2011: 14.38%) change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investments revaluation reserve and no account is given for the factors such as impairment which might impact the statement of comprehensive income.

	Carrying amount of equity investments US$	**Increase/ decrease in profit before tax and equity** US$	**Increase/ decrease in available-for-sale investments revaluation reserves** US$
2012			
Investments listed in Hong Kong Available-for-sale	**1,511,845**	**–**	**346,296**
2011			
Investments listed in Hong Kong Available-for-sale	915,216	–	131,644

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Market risk *(Cont'd)*

(i) Equity price risk *(Cont'd)*

Financial assets at fair value through profit or loss

GMG is listed on the Alternative Investment Market of the London Stock Exchange and is valued at quoted market prices at the end of the reporting period.

The market equity index for the Alternative Investment Market at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year are as follows:

	31 December 2012	**High/low 2012**
London – FTSE AIM Index	**707**	**829/ 659**

The following table demonstrates the sensitivity to a reasonably possible 2.02% change in the fair value of the investment in GMG in 2012, with all other variables held constant and before any impact on tax, based on its carrying amounts at the end of the reporting period.

	Carrying amount of financial assets at fair value through profit or loss US$	**Increase/ decrease in profit before tax and equity US$**
2012		
Investment in GMG	**11,855,810**	**239,962**

In analysing the equity price risk of the Company's investment in GMG in 2011, the Company made reference to the stock price of a listed competitor company with a business similar to that of GMG in Mainland China. The average stock price of that competitor company in 2011 is HK$8.977 per share, which represents a 3% change. Although the competitor company is larger in size, the Company views the competitor's stock price as an indication of a reasonably possible market movement for its investment in GMG as they are both in the same industry and in the same market.

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Market risk *(Cont'd)*

(i) Equity price risk *(Cont'd)*

Financial assets at fair value through profit or loss (Cont'd)

The following table demonstrates the sensitivity to a reasonably possible 3% change in the fair value of the investment in GMG in 2011, with all other variables held constant and before any impact on tax, based on its carrying amounts at the end of the reporting period.

	Carrying amount of financial assets at fair value through profit or loss US$	Increase/ decrease in profit before tax and equity US$
2011		
Investment in GMG	14,200,000	426,000

(ii) Foreign currency risk

Certain monetary assets and liabilities of the Company including cash and bank balances and an amount due to the Investment Manager, other receivables, investments in redeemable convertible preference shares and investments in listed securities are denominated in Renminbi ("RMB"), New Taiwan dollars ("NT$"), British pound ("GBP"), HK$ and US$. The Company currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Company is mainly exposed to fluctuation in the exchange rates of RMB and NT$ against US$. As HK$ is pegged to US$, the exposure to fluctuations in the exchange rate of HK$ is not considered to be significant and thus this effect is not considered in the sensitivity analysis below.

Management adjusted the sensitivity rate between US$ and RMB from 4.4% in 2011 to 1.5% in 2012, the sensitivity rate between US$ and NT$ from 3.6% in 2011 to 4.1% in 2012 and the sensitivity rate between US$ and GBP being 4.6% in 2012 for assessing the currency risk, after considering the average exchange rates between US$ and RMB, between US$ and NT$ and between US$ and GBP in 2012.

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31 December 2012

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Market risk *(Cont'd)*

(ii) Foreign currency risk *(Cont'd)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB, NT$ and GBP exchange rates against US$, with all other variables held constant, on the Company's profit/(loss) before tax and the Company's equity after tax effect:

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit/(loss) before tax US$	Increase/ (decrease) in equity* US$
2012			
If the US$ weakens against RMB	**1.5**	**–**	**9,958**
If the US$ strengthens against RMB	**(1.5)**	**–**	**(9,958)**
If the US$ weakens against NT$	**4.1**	**–**	**26,332**
If the US$ strengthens against NT$	**(4.1)**	**–**	**(26,332)**
If the US$ weakens against GBP	**4.6**	**–**	**543,096**
If the US$ strengthens against GBP	**(4.6)**	**–**	**(543,096)**
2011			
If the US$ weakens against RMB	4.4	–	37,470
If the US$ strengthens against RMB	(4.4)	–	(37,470)
If the US$ weakens against NT$	3.6	–	20,513
If the US$ strengthens against NT$	(3.6)	–	(20,513)

* Excluding retained profits/(accumulated losses)

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Market risk *(Cont'd)*

(iii) Interest rate risk

Management closely monitors interest rate movements and manages the potential risk. The Company currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Company is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets which are variable rate bank balances of US$5,783,179 (2011: US$6,768,486).

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. A 1 (2011: 10) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Management adjusted the sensitivity rate from 10 basis points to 1 basis point for assessing interest rate risk after considering the impact of the low market interest rate conditions in 2012.

If interest rates had been 1 (2011: 10) basis point higher/lower and all other variables were held constant, the Company's profit or loss (before tax) for the year would increase/decrease by US$578 (2011: US$6,768). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation.

The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Company's policy to enter into financial instruments with reputable counterparties.

The Investment Manager closely monitors the creditworthiness of the Company's counterparties (e.g., brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The Company is exposed to credit risk on its cash and cash equivalents and investments placed with Standard Chartered Bank (Hong Kong) Limited, the Company's custodian, which management believes is of high credit quality.

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31 December 2012

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's strategy is to minimise its exposure to liquidity risk by monitoring the Company's liquid capital from time to time. In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations.

The following table summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows. The fair values of balances due within six months are equal to their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Company's financial assets (undiscounted where appropriate) in order to provide a complete view of the Company's contractual commitments and liquidity.

The maturity grouping of financial liabilities is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

Analysis of available-for-sale equity securities and financial assets at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

The maturity profile of the Company's financial assets and liabilities as at the end of the reporting period is as follows:

	On demand US$	Less than 1 year US$	1 to 5 years US$	Total US$
2012				
Financial assets at fair value through profit or loss	–	–	11,855,810	11,855,810
Available-for-sale investments	–	–	2,109,586	2,109,586
Financial assets included in prepayments and other receivables	–	663,128	–	663,128
Cash and cash equivalents	5,783,179	–	–	5,783,179
Total financial assets	5,783,179	663,128	13,965,396	20,411,703
Amount due to Investment Manager	2,183	–	–	2,183
Total financial liabilities	2,183	–	–	2,183

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk *(Cont'd)*

	On demand US$	Less than 1 year US$	1 to 5 years US$	Total US$
2011				
Financial assets at fair value through profit or loss	–	14,200,000	–	14,200,000
Available-for-sale investments	–	500,000	1,437,760	1,937,760
Financial assets included in prepayments and other receivables	–	861,112	–	861,112
Cash and cash equivalents	6,808,139	–	–	6,808,139
Total financial assets	6,808,139	15,561,112	1,437,760	23,807,011
Amount due to Investment Manager	6,200	–	–	6,200
Total financial liabilities	6,200	–	–	6,200

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Company's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. The Company is not subject to any externally imposed capital requirements. On 12 May 2011, the Company amended its Memorandum and Articles of Association to allow for profits arising from realisation of investments to be available for distribution to shareholders as dividends. Profits arising from revaluation of investments may also be available for distribution as dividends if approved by the board of directors. No other changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2013.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Income	197	1,439	14,411	4,320	**478**
Expenses	(2,199)	(739)	(4,181)	(1,621)	**(3,925)**
Profit/(loss) before tax	(2,002)	700	10,230	2,699	**(3,447)**
Tax	–	–	–	(210)	**–**
Profit/(loss) for the year	(2,002)	700	10,230	2,489	**(3,447)**
Earnings/(loss) per share (cents)					
– Basic and diluted	(22.48)	7.86	114.88	27.95	**(38.71)**

	At 31 December				
	2008	2009	2010	2011	**2012**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	21,786	21,605	32,417	23,855	**20,430**
Total liabilities	(165)	(154)	(1,369)	(261)	**(262)**
	21,621	21,451	31,048	23,594	**20,168**
Net asset value per share	US$2.43	US$2.41	US$3.49	US$2.65	**US$2.26**