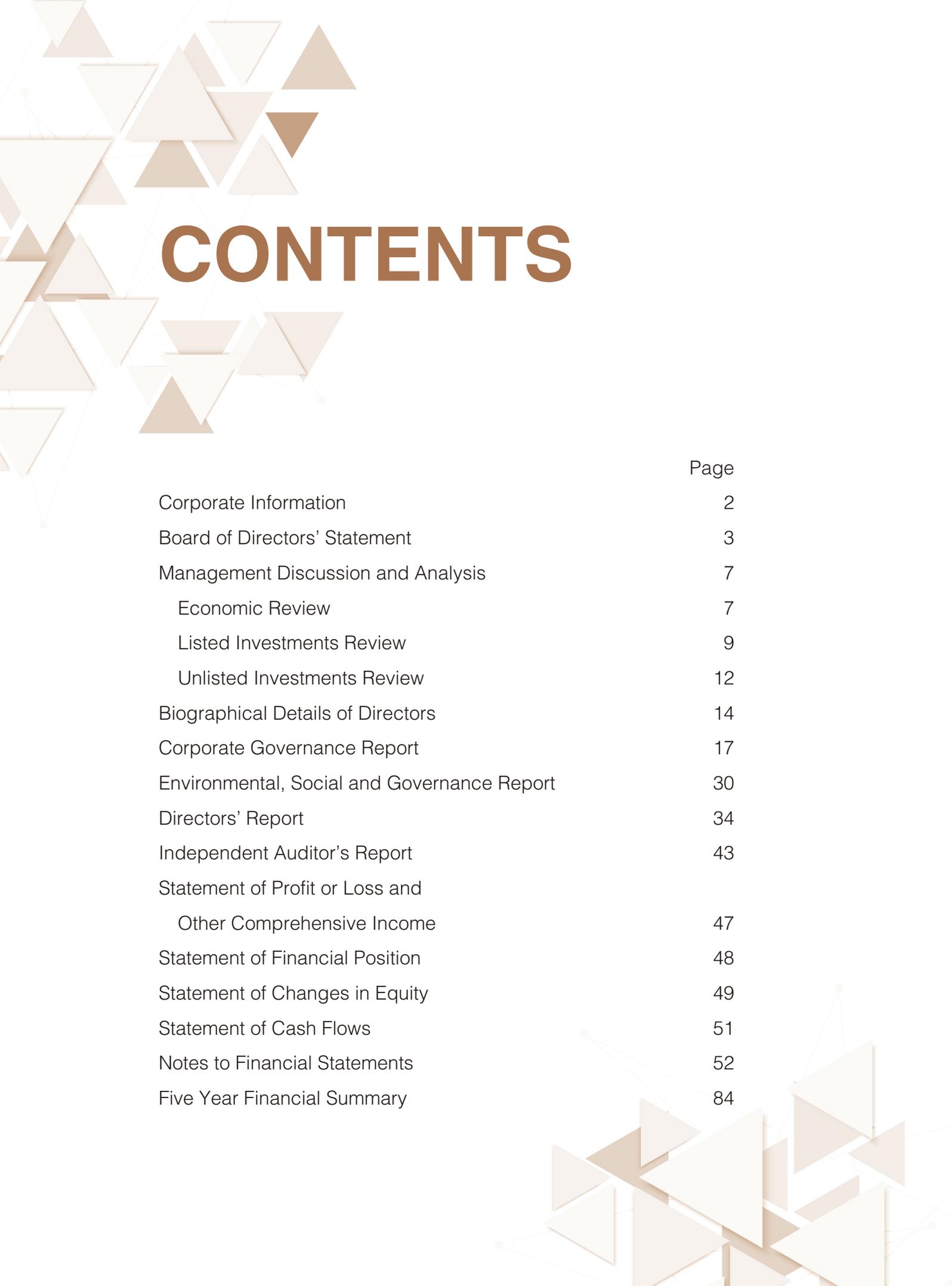


SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

2017 Annual Report

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



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Dr. WANG Ching
Mr. WU Bin

Independent Non-Executive Directors:

Dr. HUA Min
Mr. ONG Ka Thai
Mr. YICK Wing Fat Simon

Non-Executive Directors:

Mr. FENG Huang
Mr. NI Jianwei

COMPANY SECRETARY

Mr. LIANG Kwan Wah Andrew
(resigned on 5 January 2018)
Ms. NG Yin Yuet Jenny
(appointed on 5 January 2018)

INVESTMENT MANAGER

Shanghai International Asset Management (Hong Kong)
Company Limited

In Hong Kong:

Room 1501, 15/F
Shanghai Industrial Investment Building
48–62 Hennessy Road
Wanchai, Hong Kong

In Shanghai:

16/F, Golden Bell Plaza
No. 98 Huai Hai Zhong Road
Shanghai 200021, China

LEGAL ADVISERS

In Hong Kong:

Charltons Solicitors & Notary Public

In the Cayman Islands:

Maples and Calder

AUDITOR

Ernst & Young
Certified Public Accountants

CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 1501, 15/F
Shanghai Industrial Investment Building
48–62 Hennessy Road
Wanchai, Hong Kong

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 2017.

REVIEW OF RESULTS

The Company recorded a net loss of US\$1,422,038 for the year ended 31 December 2017, compared with a loss of US\$1,513,745 in 2016. Such loss was mainly attributable to drop in fair value on the Company's unlisted investment, Global Market Group Limited ("GMG").

Given the weak liquidity and the lack of continuous fund-raising capability on the National Equities Exchange & Quotations ("NEEQ" or "New Third board") in Mainland China, Global Market Group (Guangzhou) Limited ("GMGZ"), GMG's main operating subsidiary, cancelled its listing thereon in May 2017. It is expected that GMGZ will consider applying for a listing on other more efficient stock markets at an appropriate time in the future.

As at 31 December 2017, a total of 8,734,897 ordinary shares in GMG are held by the Company, representing 9.36% of GMG's total issued ordinary shares. In the absence of a readily quoted market price of GMG, the Company's Investment Manager adopted a relative valuation model to calculate the fair value of GMG as of 31 December 2017 by reference to listed companies in the Chinese e-commerce industry.

Relative conservative assumptions were applied in view of revenue from GMG's new business is unstable and lower earnings from current B2B activities, fair value of the Company's holding in GMG as at 31 December 2017 was re-assessed at US\$2,318,001, resulting in a drop of US\$1,010,576 in fair value as compared to that as at the end of 2016 (2016: unrealised loss of US\$938,180).

As for Hong Kong listed securities portfolio, the Company received dividend income of US\$39,759 in 2017 (2016: US\$19,795) and recorded realised gain on disposal of listed securities of US\$187,197 (2016: US\$19,028). During the year, the Company's listed securities portfolio increased by 17.89%, in line with the buoyant Hong Kong stock market and the Hang Seng Index.

The Company's audited net asset value per share ("NAV") as at 31 December 2017 was US\$0.64, a 16.88% decrease as compared with US\$0.77 at the end of 2016. Such decrease was mainly due to further unrealised loss on the fair value of GMG at the end of the year. At the end of December 2017, the Company's share price was US\$0.98 (2016: US\$1.16), reflecting a 53.13% premium to NAV per share.

KEY PERFORMANCE INDICATOR

The Board considers that periodic NAV of the Company is a significant financial indicator by which the development and performance of the Company's business can be measured effectively.

Performance of the Company's NAV for the past five years are summarised in this report on page 84 under the heading "Five Year Financial Summary". In the opinion of the Board, fluctuations in past NAV performances are mainly attributable to fluctuations in unrealised fair value gain or loss in one of the Company's investments.

BOARD OF DIRECTORS' STATEMENT

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company did not participate in any new unlisted investment in 2017. The Company's bank balances as of 31 December 2017 were US\$3,594,022 (2016: US\$3,828,641). No dividends were paid during the year. Apart from listed securities investments, cash were used for operating and administrative expenses.

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2017, there were no charges on the Company's assets and the Company had no material capital commitment on unlisted investments or any significant contingent liabilities (31 December 2016: Nil).

As at 31 December 2017, as far as the Directors were aware, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company.

GEARING RATIO

The Company did not have any bank borrowings as at 31 December 2017 and 31 December 2016. As at 31 December 2017, the Company's current ratio (current assets to current liabilities) was approximately 11.34 (2016: 56.85). The ratio of total liabilities to total assets of the Company was approximately 4.52% (2016: 0.84%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company's assets, liabilities and transactions are denominated either in Hong Kong dollars or US dollars. As long as the Hong Kong dollar continues its peg to the US dollar in the foreseeable future, the Company does not envisage any material exposure to exchange fluctuations. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure. As at 31 December 2017, the Company's investment in one unlisted security, whose operating currency is RMB, is valued at US\$2.3 million. There is no hedging policy, the value of this investment and currency exposure risk are monitored by the Investment Manager.

EMPLOYEES

The Company has two employees and continues to delegate the day-to-day administration of its investment portfolio to Shanghai International Asset Management (HK) Co., Ltd. (the "Investment Manager"). The Company determines its staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages of the Company's employees including basic salary, double pay and mandatory provident fund are reviewed on a regular basis.

DIVIDEND DISTRIBUTION

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

BOARD OF DIRECTORS' STATEMENT

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Ball Room, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Tuesday, 29 May 2018 at 2:30 p.m.. Notice of annual general meeting will be published and sent to shareholders of the Company ("Shareholders") in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

RECORD DATE AND CLOSURE 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 29 May 2018 ("2018 AGM"), the Register of Members of the Company will be closed as set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 21 May 2018
Record date	Wednesday, 23 May 2018
Closure of Register of Members	Wednesday, 23 May 2018 to Tuesday, 29 May 2018 (both dates inclusive)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2018 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OUTLOOK FOR 2018

Looking ahead to 2018, the Company believes the U.S. economy will maintain its steady growth amid monetary policy contraction and of fiscal policy expansion. The main reason behind is due to the improvement of the U.S. job market in 2017, which is approaching a full employment status. Wages have been increased, and the residents' spending power has been enhanced, resulting in an increase in consumer demand in the U.S.. The strong consumer spending in the U.S. is expected to continue in 2018, contributing to economic growth and further expansion of the manufacturing industry. In 2018, it is expected that inflation in the U.S. to rise further due to the continuous recovery of oil prices and the growth of wages and personal spending along economic recovery.

Focus on China, the domestic economy will enter a "slower growth, higher quality" stage. In an economic "troika," investment will slow down with continued deleveraging. Consumption will become the main driver of the economic growth, and exports will remain strong in the context of a global recovery. China's policy will gradually shift to structural adjustment, risk control and maintain the sustainable social and economic development so as to promote the healthy development of Chinese economy.

BOARD OF DIRECTORS' STATEMENT

OUTLOOK FOR 2018 *(Cont'd)*

In the Hong Kong stock market, it is expected that the Chinese economy will maintain a steady growth in 2018, and the earnings of Chinese listed companies will keep the same trend. Meanwhile, against the backdrop of rising global demand for asset allocation from Mainland residents, the demand for Hong Kong-listed shares of Mainland investors (through southbound transactions) will continue to rise in 2018 and trading volume of Hong Kong Stock Connect is expected to increase further. Overall, the current valuation of the Hong Kong stock market is still below the historical average and remains one of the lowest markets among the world's major stock markets, hence, further upward momentum is expected in 2018.

Looking ahead to 2018, in respect of the investment strategy in listed securities, the Investment Manager will focus on two major themes: consumption upgrade and technological innovation. In addition, the financial sector, particularly the banking sector, is still undervalued. Both bad debt ratio and net interest margin will keep improving in 2018, and the industry value is expected to be gradually released. Meanwhile, infrastructure, environmental protection, telecommunications, brokerage and other sectors underperformed in 2017, may catch up in 2018 due to their undemanding valuation as well as the defensive nature of their business.

In respect of the unlisted investments, the Investment Manager will continue to monitor closely the development of GMG and look for appropriate exit opportunity. The Investment Manager will continue to look for premium direct investment projects with listing potentials and appropriate risks and scale. As to investment strategy, the Company will continue to seek for co-investment opportunities with other renowned fund management companies or industrial investment groups and activate the Company's market financing function as soon as possible in the face of lacking available fund for new investments.

For and On behalf of the Board

NI Jianwei

Non-Executive Director

Hong Kong, 20 March 2018

The Chinese version of this annual report is a translation of the English version. Should there be any discrepancies or inconsistencies between the two versions, the English version shall prevail.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

China Economy

China's major economic indicators:

Growth (year-on-year, percent)	2017	2016
Gross domestic product ("GDP")	6.9	6.7
Industrial Production	6.6	6.0
Retail sales	10.2	10.4
Consumer price index ("CPI")	1.6	2.0
Fixed asset investments ("FAI")	7.2	8.1
Actual foreign direct investments	7.9	4.1
Exports	10.8	-2.0
Imports	18.7	0.6
Trade surplus (US\$ billion)	441.1	482.4
Foreign exchange reserve (US\$ billion)	3,139.9	3,011.0

(Source: Published information)

In 2017, the Chinese economy achieved its first full-year acceleration in the past seven years and various economic indicators performed well. For the full year, China's GDP was RMB82.7 trillion, recording a 6.9% year-on-year growth, 0.2% higher than that in 2016. On a quarterly basis, the growth rates of China's GDP were recorded as 6.9%, 6.9%, 6.8% and 6.8% respectively.

Throughout the year, the Chinese economy showed full tenacity despite facing downward pressure. Aiming a stable growth of the economy, a series of reform measures have been implemented. The supply-side structural reform had been further promoted, and the pace of economic structure adjustment and industrial upgrade had been accelerating. Import and export has stabilised, reversing the declining trend of the past two years. With steady growth in production and sustained release of demand, the overall manufacturing Purchasing Managers' Index ("PMI") rose steadily for 15 consecutive months and maintained at a high level of over 51. New momentum for economic development continued to accumulate, particularly reflected in the growth of the high-end manufacturing industry as well as the economic dynamics in the areas of internet, big data, cloud computing and artificial intelligence. Stock market and real estate market ran smoothly, while the foreign exchange reserves continued to increase, and the corporate leverage rate was steadily decreasing. The unemployment rate in big cities hit a multi-year low, and the fiscal income, residential income and enterprise profits had improved obviously.

Looking into 2018, with the gradual recovery of capital expenditures and the accelerating global economic growth, the Chinese economy will enter into a steady development zone. In the future, China will pay more attention to the economic transformation from high-growth to high-quality economy. Meanwhile, there is no easy path to the adjustment and reform of the economic structures, and the task of financial crisis prevention and deleveraging remain tough.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW (Cont'd)

Global Economy

In 2017, the global economy continued its recovery and expansion, while inflation was generally mild. The global economy is expected to grow by 3.6% in 2017, a 0.4 percentage points increase over 2016. In 2017, U.S. economic recovery had been strong and the economy of the euro zone continued to improve. The overall economy in the United Kingdom kept stable amid increasing inflationary pressure, while the Japanese economy was gradually recovering. Emerging market economies generally enjoyed rapid growth despite facing adjustment and restructuring pressure. Among major economies, the overall growth rate of the emerging and developing economies still exceeds that of the developed economies and their contribution to the global economic growth is still on the rise. In China, the supply-side structural reforms have been further promoted. The pace of economic restructuring and industrial upgrading has been accelerating. The economy has achieved its first full-year acceleration in the past seven years and various economic indicators performed well.

As for global indices, the performance of major stock markets was generally impressive as compared to the same period in 2016, among which the U.S. S&P 500 Index rose 19.4%, and the UK FTSE 100 Index rose 7.6% despite facing the uncertainty of Brexit arrangements. Among emerging markets, the Russia RTS Index remained stable, and the Brazil IBOVESPA Index rose 26.9%.

Relevant stock markets' performance in 2017

Indices	31 December 2017	31 December 2016	Change
Hang Seng Index	29,919.15	22,000.56	35.99%
Hang Seng China Enterprises Index	11,709.30	9,394.87	24.64%
Hang Seng China-Affiliated Corporations Index	4,426.25	3,587.99	23.36%
Shanghai SE Composite Index	3,307.17	3,103.64	6.56%
Shenzhen SE Composite Index	1,899.34	1,969.11	-3.54%
Taiwan Exchange Index	10,642.86	9,253.50	15.01%
Dow Jones Industrial Average Index	24,719.22	19,762.60	25.08%
Standard and Poor's 500 Index	2,673.61	2,238.83	19.42%
NASDAQ Composite Index	6,903.39	5,383.12	28.24%

Portfolio Allocation

	31 December 2017	31 December 2016
Unlisted investments	34%	41%
Listed investments	17%	12%
Cash and cash equivalents	49%	47%
Total	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

Hong Kong Stock Market

The Hang Seng Index (“HSI”) reflected upward fluctuation throughout the year 2017. In the first half of 2017, triggered by the fund inflow from southbound trading, stabilised Chinese economy and Renminbi, coupled with new policies comprising massive infrastructure investment plans announced by the Trump government of the U.S., the HSI reversed its downward trend in the fourth quarter of 2016. Meanwhile, with the announcement of “Xiongan New Area”, better-than-expected quarterly results for most of the U.S. and Hong Kong stocks, as well as the announcement on the inclusion of China A shares into the MSCI (Morgan Stanley Capital International) Emerging Markets Index in June, Hong Kong stock market continued to rise. In the middle of 2017, U.S. Fed balance sheet reduction plan made a short-term negative impact on the Hong Kong stock market. Thereafter, a series of initial public offerings of new economy companies, the gradual strengthening of the Hong Kong Stock Connect, and the announcement of a new listing mechanism reform by the Hong Kong Stock Exchange, led the Hong Kong stocks to rise further amid favorable market sentiment and liquidity. The HSI once reached over 30,000 points and finally recorded an approximate 36% growth by the end of the year 2017.

As a result of the market rebound, performance of the Company's listed investment portfolio improved significantly by 17.89% as compared to the previous year and its absolute return achieved a new high over the past few years.

Opportunities and risks both exist in the Hong Kong market. Although valuation of Hong Kong stock market is still attractive, investors have accumulated decent profit, hence may tend to withdraw from the stock market during a market downturn. Only if domestic and global risks are relieved, can the Hong Kong stock market attract more global capital to increase asset allocation. The Investment Manager will continue to adopt a prudent investment strategy and always be aware of the risks.

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Securities Portfolio

As at 31 December 2017

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\$
<u>Listed on Hong Kong Stock Exchange</u>							
CK Hutchison Holdings Limited	Conglomerates	6,000	0.00016	74,155	75,326	1.09	1,248
HSBC Holdings PLC	Banking & financial services	16,000	0.00008	129,950	163,706	2.38	4,800
Tencent Holdings Limited	E-Commerce & internet services	1,500	0.00002	70,563	77,937	1.13	–
China Construction Bank Corporation – H shares	Banking & financial services	220,000	0.00009	189,017	202,713	2.94	5,530
Sinotrans Shipping Limited	Shipping & port operation	250,000	0.00626	62,613	63,668	0.92	2,105
China Longyuan Power Group Corporation Limited	Utilities	170,000	0.00509	122,097	120,962	1.76	–
Sinopharm Group Co. Ltd. – H shares	Healthcare	30,000	0.00252	125,091	129,767	1.88	926
CRRC Corporation Limited – H shares	Industrial & commercial vehicles	100,000	0.00229	94,175	106,987	1.55	5,392
Kingsoft Corporation Limited	Information technology	20,000	0.00152	61,690	66,547	0.97	–
China BlueChemical Ltd. – H shares	Materials – fertilisers & agricultural chemicals	210,000	0.01186	62,764	66,381	0.96	–
HKT Trust & HKT Limited	Telecommunications	100,000	0.00132	126,863	127,465	1.85	3,594
Other listed securities				–	–	–	16,164
Total investment in listed securities				1,118,978	1,201,459	17.43	39,759

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Securities Portfolio (Cont'd)

As at 31 December 2016

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\$
<u>Listed on Hong Kong Stock Exchange</u>							
CK Hutchison Holdings Limited	Conglomerates	15,000	0.00039	182,485	170,000	2.08	–
China Mobile Limited	Telecommunications	11,500	0.00006	127,107	121,881	1.49	–
Ping An Insurance (Group) Company of China, Ltd. – H shares	Financial & insurance services	24,000	0.00032	127,544	120,064	1.47	–
China Everbright International Limited	Utilities	160,000	0.00357	183,313	181,333	2.22	1,044
Sinopharm Group Co., Ltd. – H shares	Healthcare	28,000	0.00235	128,130	115,345	1.41	–
CRRC Corporation Limited – H shares	Industrial & commercial vehicles	100,000	0.00229	99,226	89,738	1.10	3,202
China Minsheng Banking Corp., Ltd. – H shares	Banking & financial services	122,000	0.00176	127,961	130,401	1.59	2,175
Zijin Mining Group Co., Ltd. – H shares	Materials – gold & precious metals	190,000	0.04793	62,576	61,243	0.74	–
Other listed securities				–	–	–	13,374
Total investment in listed securities				1,038,342	990,005	12.10	19,795

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW

In 2017, China's economy started to improve gradually, while small and medium enterprises ("SMEs") still encountered difficulties in development. Although Chinese government encouraged startup businesses, many SMEs remained at a primary stage with uncertain prospects. The Investment Manager studied several new potential projects during 2017, however, no new investments were consummated in view of the Company's limited cash resources.

Unlisted Investments Portfolio

As at 31 December 2017

Invested project	Nature of business	% of equity interest	Amount invested at cost	Fair value changes	Fair value of investment at 31 December 2017	% of net asset value	Dividend income	Accumulated dividend income
		%	US\$	US\$	US\$	%	US\$	US\$
Global Market Group Limited ^(Note)	B2B platform	9.36	5,847,458	(3,529,457)	2,318,001	33.64	-	1,814,613

As at 31 December 2016

Invested project	Nature of business	% of equity interest	Amount invested at cost	Fair value changes	Fair value of investment at 31 December 2016	% of net asset value	Dividend income	Accumulated dividend income
		%	US\$	US\$	US\$	%	US\$	US\$
Global Market Group Limited ^(Note)	B2B platform	9.36	5,847,458	(2,518,881)	3,328,577	40.68	-	1,814,613

Note: An investment in shares through private placement in a B2B internet trading service provider, whose common shares were once listed on London Alternative Investment Market and delisted in September 2015 and reclassified as the Company's unlisted securities investment. This company is seeking other relisting opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW (Cont'd)

Global Market Group Limited ("GMG")

GMG is a B2B internet trading service provider in the mainland China. It focuses on providing an international trading service platform linking high-end quality export manufacturers in China with international buyers. Currently, its internet trading service consists of M2B and M2B2C businesses. In response to the Chinese government's call for developing cross-border E-commerce industry and in an effort to fully exert GMG's advantage of its established B2B E-commerce platform, GMG vigorously developed new cross-border E-commerce businesses since 2016. Corresponding cross-border E-commerce platform on consignment basis has been established and its mobile app has been released officially. GMG's M2B business is progressing towards matured having been developed for several years. Development of its cross-border E-commerce consignment trading platform is expected to help in accelerating its overall business growth.

The Company invested in GMG for a consideration of US\$5 million in 2008. As at 31 December 2017, a total of 8,734,897 ordinary shares of GMG are held by the Company, representing 9.36% of GMG's total issued ordinary shares. GMG's ordinary shares were once admitted to trading on the Alternative Investment Market of the London Stock Exchange on 22 June 2012 but was subsequently cancelled from trading in September 2015.

Global Market Group (Guangzhou) Limited ("GMGZ"), GMG's main operating subsidiary, has been successfully listed on the National Equities Exchange & Quotations ("NEEQ" or "New Third Board") in mainland China in August 2016. GMGZ announced its private placement plan in October 2016 and completed in early 2017. However, given the weak liquidity and lack of continuous fund-raising capability on the NEEQ to support GMGZ's future strategic development, GMGZ subsequently decided to delist from NEEQ and was completed in May 2017. It is expected that GMGZ will thereafter consider applying for a listing on other more efficient stock markets in the future.

In the absence of an active quoted market price for GMG as of 31 December 2017, the Investment Manager adopted a relative valuation model on the fair value of GMG by reference to listed companies in Chinese E-commerce industry. Relative conservative assumptions were applied in view of revenue from GMG's new business is unstable and lower earnings from current B2B activities, fair value of the Company's holding in GMG as at 31 December 2017 was re-assessed at US\$2,318,001. This resulted in a drop of US\$1,010,576 in fair value as compared to that as at the end of 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Ching (RC)

Aged 63, was appointed as an Executive Director of the Company and an executive director of the Investment Manager in July 2007. SIIC Investment Company Limited is the holding company of the Investment Manager and a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”), which became a substantial shareholder of the Company since December 2015.

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 and commercial banking and fund management in the United 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 had been the Chief Executive 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, the senior executive vice president 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 also serves as independent non-executive director of China Singyes Solar Technologies Holdings Limited and Minth Group Limited, which are both listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and are third parties independent of the Company and connected persons of the Company. He is also appointed as non-executive director of Global Market Group Limited, the Company’s unlisted investment, whose shares were listed on the AIM up till 23 September 2015. He was previously an independent non-executive director of Yingde Gases Group Company Limited, which was listed on the Hong Kong Stock Exchange until 21 August 2017.

Dr. Wang received his bachelor degree majoring in economics from the National Taiwan University in 1977. He 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 44, 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. SIIC Investment Company Limited is the holding company of the Investment Manager and a wholly-owned subsidiary of SIIC, which became a substantial shareholder of the Company since December 2015.

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 up till December 2015. From 1996 to 2004, he had held senior positions with foreign banking and securities institutions in the PRC. Mr. Wu has over 16 years’ managerial experience in banking, securities and trust investment sectors in the 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

INED – Independent Non-Executive Director

BIOGRAPHICAL DETAILS OF DIRECTORS

FENG Huang

Aged 47, has been appointed a Non-Executive Director of the Company on 17 December 2015. Mr. Feng is a director of SIIC Investment Company Limited, the holding company of the Investment Manager of the Company and is a wholly-owned subsidiary of SIIC, which became a substantial shareholder of the Company since December 2015.

Mr. Feng was a director of Haitong Securities Co., Ltd (a company currently listed on the Hong Kong Stock Exchange) from 16 May 2011 to 30 December 2014 and re-designated as a supervisor since 30 December 2014.

Mr. Feng obtained a bachelor's degree in engineering from Shanghai Jiao Tong University in July 1993, and a master's degree in business administration from Webster University in November 1998. Mr. Feng is an economist recognised by Ministry of Personnel of the PRC in November 2001, and an in-house legal counsel recognised by Ministry of Personnel, Ministry of Justice and State owned Assets Supervision and Administration Commission of the PRC in October 2007, qualified as an independent director for listed companies recognised by Shanghai Stock Exchange since June 2013. Mr. Feng joined SIIC Investment (Shanghai) Co., Ltd. in January 1999 and served in various positions and has been the vice chairman and president since September 2014. He has been the chairman and president of Shanghai SIIC Investment Management Consulting Co., Ltd. since December 2014 and a director of Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. since July 2004.

Mr. Feng has also been the chairman of SIIC Investment Company Limited and South Pacific Hotel Hong Kong Co., Ltd. since April 2012. He has been the chairman of Shanghai SIIC Asset Operation Co. Ltd. since December 2014, the vice chairman of Shanghai Guojin Leasing Co., Ltd. since January 2014, a director of Shanghai Shangshi Group Finance Co., Ltd. since May 2014 and a director of SIIC Financial Services Holdings Ltd. since February 2015. Mr. Feng has been appointed a director of Shanghai Investment Asset Operation Co., Ltd. since December 2015.

NI Jianwei

Aged 52, has been appointed a Non-Executive Director of the Company on 19 March 2015 and a director of the Investment Manager since 26 February 2015. He is registered as one of the licenced responsible officers and was appointed Managing Director of the Investment Manager on 20 December 2016. Mr. Ni is an executive director and vice president of SIIC Investment Company Limited, the holding company of the Investment Manager and a wholly-owned subsidiary of SIIC which became a substantial shareholder of the Company since December 2015.

Mr. Ni graduated from Harbin University of Science and Technology with a Bachelor's degree in Electrical Engineering and obtained his Master's degree in Business Administration (International) from the University of Hong Kong. He joined SIIC Group in 2000 as a senior manager in the investment banking department of Shanghai Industrial Asset Management Limited. He worked as general manager in the business division of Shanghai Industrial Pharmaceutical Investment Company Limited from 2005 to 2009 and general manager of Shanghai Nanyang Industrial Development Company Limited from 2009 to 2011. He has over 17 years' experience in corporate management, investment banking and capital markets operation.

BIOGRAPHICAL DETAILS OF DIRECTORS

HUA Min *(AC, NC and RC)*

Aged 68, has been an INED since September 2004 and Chairman of the 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 an advisor for doctoral candidates and has been teaching and conducting research in world economics, China economics and finance at Fudan University since 1990. He was Chief of Academic Committee of economic school Fudan University until January 2018. Dr. Hua is currently an independent non-executive director of Da Ming International Holdings Limited, a company listed on the Hong Kong Stock Exchange.

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

Aged 63, 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 Pacific Capital Ltd., Ong First Tradition Holdings Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Pte. Ltd.. He is also the Senior Advisor to AIGF (ASEAN Industrial Growth Fund), a private equity fund that is co-managed by Mitsubishi Corporation, CIMB Group and Development Bank of Japan Inc.. 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.

Mr. Ong had served as CEO for a number of multinational joint ventures. He was an independent non-executive director of Singamas Container Holdings Ltd. for 20 years, a company listed on the Hong Kong Stock Exchange and a third party independent of the Company and connected persons of the Company. Mr. Ong was previously an independent non-executive director of China Bohai Bank Limited.

Mr. Ong has over 41 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 59, 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 35 years of experience in audit, direct investment, investment banking and corporate advisory services.

Mr. Yick also serves as an independent non-executive director and Chairman of the audit committee of Shenzhen Neptunus Interlong Bio-technique Co., Ltd. and China Singyes Solar Technologies Holdings Limited (both are listed on the Hong Kong Stock Exchange). Since August 2017, Mr. Yick has been appointed independent non-executive director, chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited, which is listed on the Hong Kong Stock Exchange. Mr. Yick is also an independent non-executive director, convener of the remuneration and assessment committee and a member of the strategy committee of Chengdu Xingrong Environment Co, Ltd., a company listed on the Shenzhen stock exchange. These companies are third parties independent of the Company and connected persons of the Company.

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. The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the financial year ended 31 December 2017, the Company has complied with the code provisions under the 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.

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 37 to 39 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 seven Directors of whom two are Executive Directors, two are Non-Executive Directors and three are INEDs. 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 14 to 16 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 websites 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 CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Executive Directors 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. All INEDs are engaged for a term of three years and each of them are remunerated at HK\$120,000 per annum.

Board Diversity

The Board adopted a board diversity policy setting out the approach to diversity of members of the Board. The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

The Company maintains that Board appointment should be based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The full Board of the Company is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills, experience and expertise appropriate to the requirements of the businesses of the Company, with due regard to the benefits of diversity on the Board. The Board as a whole is also responsible for reviewing the succession plan for the directors of the Company.

The Board will review and monitor from time to time the implementation of this policy to ensure its effectiveness and will at an appropriate time set measurable objectives for achieving Board diversity.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Independent Non-Executive Directors

During the year ended 31 December 2017, 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 Hong Kong 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 shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) 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. All Directors are subject to retirement by rotation at least once every three years or such other period as the Hong Kong 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. Re-election of retiring Directors at general meetings is dealt with by separate individual resolutions.

At the Company's forthcoming 2018 AGM, Dr. WANG Ching, Mr. FENG Huang and Mr. ONG Ka Thai will retire from office by rotation. All retiring Directors, being eligible, offer themselves for re-election by the Shareholders at the 2018 AGM.

Mr. ONG Ka Thai, the retiring Director, has served as an INED for more than 9 years. During his years of appointment he has demonstrated his ability to provide an independent view on the Company's matters. Notwithstanding his years of service as an INED, the Board is of the opinion that Mr. ONG's knowledge and experience in the Company's business will continue to generate valuable contribution to the Board, the Company and the Shareholders as a whole and thus recommends him for re-election at the 2018 AGM.

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 5 Board meetings during the year ended 31 December 2017. 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 such meetings was:

Name of Director	Attendance	Name of Director	Attendance
Dr. WANG Ching	5/5	Mr. NI Jianwei	5/5
Mr. WU Bin	5/5	Mr. FENG Huang	5/5
Dr. HUA Min	5/5		
Mr. ONG Ka Thai	5/5		
Mr. YICK Wing Fat Simon	5/5		

As at 31 December 2017, certain Directors of the Company, namely Dr. WANG Ching, Mr. WU Bin and Mr. NI Jianwei are also directors of the Company's Investment Manager. Mr. FENG Huang and Mr. NI Jianwei are the directors of SIIC Investment Company Limited, the holding company of the Investment Manager and is a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited which became a substantial shareholder of the Company since December 2015. Details of such relationships are set out on page 41 under the heading "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Save as disclosed above, to the best knowledge of the Company, there are no financial, business or family relationship among members of the Board as at 31 December 2017. All of them are free to exercise their individual judgment.

CORPORATE GOVERNANCE REPORT

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, which are on no less exacting terms than those set out in the CG Code. 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.

AUDIT COMMITTEE

The Audit Committee has been established since July 1999 and currently comprises three members, all of whom are INEDs of the Company, namely, Mr. YICK Wing Fat Simon (Chairman), Dr. HUA Min and Mr. ONG Ka Thai. 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 auditor.

The latest terms of reference of the Audit Committee, which have been revised in accordance with the CG Code and adopted by the Board are 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 auditor before submission to the Board.
- (b) To review the relationship with the Company's external auditor by reference to the work performed, its independence, remuneration and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditor.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (Cont'd)

Two meetings were held during the year ended 31 December 2017. The external auditor also attended the meetings. Attendance of Audit Committee members at such meetings was:

Name of Director	Attendance
Mr. YICK Wing Fat Simon (<i>Chairman</i>)	2/2
Dr. HUA Min	2/2
Mr. ONG Ka Thai	2/2

The Audit Committee reviewed the half-year results for the six months ended 30 June 2017 and the annual results for the year ended 31 December 2017 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. During the year, the Audit Committee also held a meeting with the external auditor in the absence of the Investment Manager, to discuss issues regarding audit or any matters that the external auditor may wish to raise to the Audit Committee.

REMUNERATION COMMITTEE

The Company's Remuneration Committee, established in March 2005, currently 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.

The latest terms of reference of the Remuneration Committee adopted by the Board by reference to the CG Code are 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 2017, 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.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company's Nomination Committee, established in February 2012, currently comprises all three INEDs, namely Dr. HUA Min (Chairman), Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon. Its latest written terms of reference adopted by the Board by reference to the 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.

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. In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the board diversity policy.

The Nomination Committee held one meeting during the year ended 31 December 2017, which was attended by all its members, and reviewed current Board composition, and considered the qualifications 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) make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a corporate website <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 of 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 2017 AGM was held on 26 May 2017. 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 2017 AGM were passed. The Company's Share Registrar was appointed as scrutineer 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 respective Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and the Company's external auditor attended the 2017 AGM to answer questions.

Attendance of Directors at the 2017 AGM was:

Name of Director	Attendance at 2017 AGM
Executive Directors:	
Dr. WANG Ching	✓
Mr. WU Bin	✓
INEDs:	
Dr. HUA Min	✓
Mr. ONG Ka Thai	✓
Mr. YICK Wing Fat Simon	✓
Non-Executive Directors:	
Mr. FENG Huang	✓
Mr. NI Jianwei	✓

SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general 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 general 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 request 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, Uglund 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 1501, 15/F
Shanghai Industrial Investment Building
48-62 Hennessy Road, Wanchai
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.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2017. The Company's constitutional documents are available on the websites of the Company and of the HKEX.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing its corporate governance functions as required under the 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.
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 DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company ("Model Code"). The Company has made specific enquiry of all directors of the Company regarding any non-compliance with the Model Code during the year ended 31 December 2017, all directors confirmed that they had fully complied with the required standard set out in the Model Code.

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. During the year, 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 provides 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 Hong Kong Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities. During the year, the Company organised one in-house seminar for its Directors.

All Directors has provided a record of their training to the Company Secretary. The individual training record of each Director during the year ended 31 December 2017 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	✓	✓
INEDs:		
Dr. HUA Min	✓	✓
Mr. ONG Ka Thai	✓	✓
Mr. YICK Wing Fat Simon	✓	✓
Non-Executive Directors:		
Mr. FENG Huang	✓	✓
Mr. NI Jianwei	✓	✓

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

Mr. LIANG Kwan Wah Andrew has resigned as the Company Secretary with effect from 5 January 2018. Following his resignation, Ms. NG Yin Yuet Jenny has been appointed the Company Secretary since 5 January 2018. As Company Secretary, Mr. LIANG and Ms. NG support the Board in ensuring Board procedures are followed and Board activities are efficiently and effectively conducted. They are 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/her advice and services. During the year, the Company Secretary has fulfilled professional training requirements in compliance with Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective risk management and internal control systems 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 risk management and internal control systems through the Audit Committee. Procedures in the review of internal control were performed by Mr. LIANG as he had solely provided 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 is of the view that the risk management and internal control systems of the Company are 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

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, Messrs. Ernst & Young, with regard to its reporting responsibilities on the Company's financial statements, is set out in the Independent Auditor's Report on pages 43 to 46.

For the year ended 31 December 2017, services provided to the Company by its external auditor and the respective fees paid were:

	2017 US\$
Audit services	46,465
Taxation compliance and other services	5,917
	<hr/>
	52,382
	<hr/> <hr/>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its Environmental, Social and Governance Report (“ESG Report”) for the year to 31 December 2017 to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) of the Hong Kong Stock Exchange, which covers two subject areas, Environmental and Social.

The Guide encourages an issuer to identify and disclose ESG subject areas and information that are material and relevant to an issuer’s business. During the self-assessment of the Company’s business, the management has decided that out of the 11 ESG aspects suggested by the Guide, the below 6 ESG aspects are material to the Company:

Main ESG subject area in the Guide

ESG aspects

Environmental	A1. Emissions A2. Use of resources
Social	B3. Development and training B6. Product responsibility B7. Anti-corruption B8. Community investment

The reporting period of this ESG Report is from 1 January 2017 to 31 December 2017. Unless otherwise specified, the reporting boundary of this ESG Report is the same as this annual report.

A. ENVIRONMENTAL

Emissions and Use of Resources

According to the requirements of the Guide, the Company has quantified the greenhouse gas (GHG) emissions and resource usage of its office operation. The results¹ are summarised as follows:

	2017	2016
Electricity Consumed (kWh) ²	3,241	2,607
Paper Used (kg)	35	35
	2017	2016
Scope 1 GHG Emissions ³ (kg CO ₂ ^e)	0	0
Scope 2 GHG Emissions ⁴ (kg CO ₂ ^e) ⁵	2,560	2,059
Scope 3 GHG Emissions ⁶ (kg CO ₂ ^e)	168	168
	<hr/>	<hr/>
Total GHG Emissions (kg CO ₂ ^e)	2,728	2,227
	<hr/> <hr/>	<hr/> <hr/>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (Cont'd)

Emissions and Use of Resources (Cont'd)

Notes:

1. The Company's office also accommodates 5 other non-Company staff, all of whom are from its Investment Manager. As such, a factor of 1/6 or 0.167 is used to estimate the utility consumption accounted for the Company's staff. This ratio indicator method is based on the "Guidelines To Account for And Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong" (the "Carbon Audit Guidelines") published by the Environmental Protection Department and Electrical and Mechanical Services Department in 2010.
2. Consumption from the central building services including electricity usage due to the elevator and central air-conditioning are excluded from the reporting scope, because it was not within the operational boundary of the Company.
3. According to the Carbon Audit Guidelines, Scope 1 GHG Emissions refer to direct emissions from sources and removals by sinks.
4. According to the Carbon Audit Guidelines, Scope 2 Emissions refer to energy indirect emissions. The disclosed figures are resulted from electricity purchased from power companies.
5. The power company-specific emission factor of Hong Kong Electric Company is adopted for the calculation.
6. According to the Carbon Audit Guidelines, Scope 3 Emissions refer to other indirect emissions (optional for reporting purposes). The disclosed figures are resulted from paper waste disposed at landfills.

The Company's operation is mainly office-based and the Company is committed to minimising the impact of businesses on the environment through adopting eco-friendly measures at the office. For example, staff is encouraged to reduce paper consumption by double-sided printing and reusing papers printed on one side.

In terms of energy saving measures, there are a number of good office practices as follows:

- A mix of LED and fluorescent lights are installed to reduce energy consumption for lighting;
- Staff is reminded to switch off lights and air-conditioning in the meeting room and computers at workstations when not in use;
- Room temperature is maintained at 25 degrees Celsius in the summer to save energy; and
- Conference calls instead of face-to-face meetings are arranged where possible.

The Company is dedicated to sustain implementation of the measures above, while it will explore other eco-friendly initiatives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

1. *Employment and Labour Practices*

Development and Training

The Company supports its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. In addition to on-the-job training, staff is encouraged to take external professional training to strengthen work-related expertise. During the reporting period, the staff of the Company has completed about 20 hours of training related to the Continuing Professional Development (CPD) requirements in order to discharge their duties professionally.

2. *Operating Practices*

Product Responsibility

The Company puts high priority in maintaining business integrity and corporate governance standards to promote the long-term best interests to all its shareholders and stakeholders. The Company's corporate governance practices are disclosed in the "Corporate Governance Report" in this Annual Report.

During the reporting period, the Company received no complaint of any violations of the corporate governance code and the services provided. The operations and services provided by the Company also demonstrate its respect for intellectual property rights. The Company will continue to ensure applicable governmental and regulatory laws, rules, codes and regulations are complied with.

Anti-corruption

The Company upholds high standards on promoting anti-corruption, with all its employees and directors are required to maintain a high level of business ethics. The Audit Committee has the overall responsibility for matters related to the internal controls of anti-corruption. To demonstrate our commitment, a written whistleblowing policy and relevant communication channels have been established for employees to raise, in confidence, concerns on possible improprieties directly to the Audit Committee. This policy has been approved and adopted by the Board and is clearly stated in the Internal Policies and Procedures Manual of the Company.

During the reporting period, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

3. *Community*

The Company is fully aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this aspect, the Company and its Investment Manager would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Company's missions and values.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL (Cont'd)

3. Community (Cont'd)

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. During the reporting period, the Company explored investment opportunities in several proposed environmental protection projects. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

C. HONG KONG STOCK EXCHANGE'S ESG GUIDE REFERENCE

ESG Subject Areas		ESG Aspects	Disclosure Reference
Environmental		A1. Emissions	Refer to "Environmental" section of this ESG Report.
		A2. Use of resources	
		A3. The environment and natural resources	The office-based nature of the Company's operations are not considered to have significant impact on environment and natural resources.
Social	Employment and labour practices	B1. Employment	There are two staff in the Company and all matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare complied with the Employment Ordinance by the Labour Department.
		B2. Health and safety	The office-based operation of the Company is not considered to have significant occupational hazards. The Company has complied with all the major relevant laws and regulations such as Occupational Safety And Health Ordinance by the Labour Department.
		B3. Development and training	Refer to "Social" section of this ESG Report.
		B4. Labour standards	Child labour and forced labour are prohibited in the Company.
	Operating practices	B5. Supply Chain Management	The office-based operation of the Company is not considered to have a significant environmental and social risk of the supply chain.
		B6. Product responsibility	Refer to "Social" section of this ESG Report.
		B7. Anti-corruption	
	Community	B8. Community investment	Refer to "Social" section of this ESG Report.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 Company also invests in PRC-related listed securities with the same investment objective in achieving long term capital appreciation of the Company's assets.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Company and an indication of likely future development in the Company's business, can be found in the Board of Director's Statement and the Management Discussion and Analysis set out on pages 3 to 13 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 December 2017 and the Company's financial position at that date are set out in the financial statements on pages 47 to 83.

The Directors do not recommend the payment of any dividend in respect of the year.

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 84. This summary does not form part of the audited financial statements.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

At 31 December 2017, 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 (currently in force), amounted to US\$5,822,893.

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 ("INEDs"):

Dr. HUA Min
Mr. ONG Ka Thai
Mr. YICK Wing Fat Simon

Non-Executive Directors:

Mr. FENG Huang
Mr. NI Jianwei

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

At the forthcoming annual general meeting of the Company, Dr. WANG Ching, Mr. FENG Huang and Mr. ONG Ka Thai will retire as Directors in accordance with Articles 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 14 to 16 of the annual report.

DIRECTORS' REPORT

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of Directors' information since the publication of the Company's 2017 Interim Report or the publication of the latest biographical details of the Directors in the Company's 2016 Annual Report are set out below:

Names of Directors	Changes
Mr. ONG Ka Thai	<ul style="list-style-type: none"> Resigned as senior advisor of KGI (Hong Kong) Limited in May 2017 Retired as independent non-executive director of Singamas Container Holdings Limited, which is listed on the Hong Kong Stock Exchange, in June 2017
Mr. YICK Wing Fat Simon	<ul style="list-style-type: none"> Appointed as convener of remuneration and assessment committee; and resigned as convener of nomination committee and a member of audit committee of Chengdu Xingrong Environment Co, Ltd., which is listed on the Shenzhen stock exchange, in April 2017 Appointed as independent non-executive director, chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited, which is listed on the Hong Kong Stock Exchange, in August 2017
Mr. FENG Huang	<ul style="list-style-type: none"> Ceased as a supervisor of Shanghai Pudong Science and Technology Investment Co., Ltd. since September 2017
Dr. WANG Ching	<ul style="list-style-type: none"> Resigned as independent non-executive director of Yingde Gases Group Company Limited (a company which was listed on the Hong Kong Stock Exchange until 21 August 2017) in October 2017
Dr. HUA Min	<ul style="list-style-type: none"> Ceased as the Chief of Academic Committee of economic school of Fudan University since February 2018

DIRECTORS' SERVICE CONTRACTS

The INEDs of the Company each has a service contract with the Company for a term of three years. Dr. HUA Min's current service contract commenced on 28 September 2017, Mr. ONG Ka Thai's current service contract commenced on 1 June 2016 and Mr. YICK Wing Fat Simon's current service contract commenced on 1 August 2016. All of them 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 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. They are, however, subject to retirement by rotation at least once every three years pursuant to the Company's Articles.

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

The Company's Articles provide that every Director shall be entitled to be indemnified out of the funds of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2017. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company.

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 (Hong Kong) Company Limited (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, 28 March 2011, 19 March 2014 and 23 March 2017 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.

On 23 March 2017, the Company and the Investment Manager entered into an Eighth Supplemental Agreement, which was approved by the independent Shareholders of the Company at the annual general meeting held on 26 May 2017. The terms were amended as follows:

- (1) The appointment of the Investment Manager under the Investment Management Agreement shall be extended for a term of three years commencing from 1 July 2017 to 30 June 2020. The Investment Manager shall be entitled to resign its appointment under the Investment Management Agreement, and the Company may by resolution of the Board terminate the appointment of the Investment Manager, in either case by giving not less than two months' prior notice in writing to the Company or the Investment Manager (as the case may be).

DIRECTORS' REPORT

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

- (2) The Investment Manager shall be entitled to an Incentive Fee equal to twenty per cent (20%) of the amount by which the Net Asset Value as at 31 December in the year for which the Incentive Fee is being calculated exceeds the High Water Mark. The definition of "High Water Mark" was revised under the Eighth Supplemental Agreement. High Water Mark means the highest Net Asset Value as at 31 December in any year from the year ended 31 December 2016 in which the Incentive Fee was accrued other than the applicable Calculation Year, less the Dividend Amount. The Net Asset value as at 31 December 2016 (being US\$8,182,713) shall be the initial High Water Mark ("Initial High Water Mark").

For illustration purpose only, assuming the Net Asset Value as at 31 December 2017 (having taken into account any New Capital and/or Share Repurchase) ("2017 NAV") exceeds the Initial High Water Mark, the Incentive Fee for the year ending on 31 December 2017 would be calculated as follows:

$$2017 \text{ Incentive Fee} = 20\% \times (2017 \text{ NAV} - \text{Initial High Water Mark})$$

The 2017 NAV will then be the new High Water Mark for the purposes of calculating the Incentive Fee (if any) payable in respect of the Calculation Year ending December 2018 and thereafter until the High Water Mark is reached.

- (3) The maximum amount of fees payable to the Investment Manager under the Investment Management Agreement (including the aggregate of the Management and Administration Fee and the Incentive Fee (if payable)) shall be revised to the following amounts over the term of the Eighth Supplemental Agreement:

Period	Amount ^(Note)
From 1 July 2017 to 31 December 2017 inclusive	US\$150,000 (approximately HK\$1,170,000)
For the year 2018	US\$490,000 (approximately HK\$3,822,000)
For the year 2019	US\$830,000 (approximately HK\$6,474,000)
From 1 January 2020 to 30 June 2020 inclusive	US\$250,000 (approximately HK\$1,950,000)

Note: For illustration purpose only, US\$ is converted into HK\$ at the rate of US\$1 to HK\$7.8. No representation is made that any amounts in US\$ has been or could be converted at the above rate or at any other rates.

Each of the above amounts is referred to as the "New Cap" or collectively, as the "New Caps". Other than the above amendments, the other terms of the Investment Management Agreement remained the same.

In the event that the total fees payable to the Investment Manager (consisting of the Management and Administration Fee and, if any, the Incentive Fee) for each of the periods covered by the Eighth Supplemental Agreement exceed the corresponding New Cap, the Company will have to re-comply with the relevant provisions under Chapter 14A of the Listing Rules, including without limitation, making a further announcement and obtaining further approval from its independent Shareholders.

DIRECTORS' REPORT

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

Reasons for and Benefits of Revising the Definition of High Water Mark

The high water mark under the Investment Management Agreement (as amended by the Seventh Supplemental Agreement) is the Net Asset Value as at 31 December 2010, being US\$31,048,060. However, the Net Asset Value of the Company has been substantially reduced after distribution of dividends in the aggregate total of US\$1.40 per Share (amounting to a total of US\$12,467,000) over the period from 2010 to 2014, which substantially reduced the Company's working capital for new investments and thus limited the Company's potential ability in generating remarkable returns in absolute terms. The Directors consider that, coupled with the lack of profitable projects and downturn of economic conditions since 2011, the chance of exceeding the 2010 high water mark level is extremely remote.

The Directors are of the view that it is reasonable to reset the initial high water mark to the latest audited Net Asset Value as at 31 December 2016, which is a reasonable and achievable new initial high water mark serving as an incentive to drive the Investment Manager to exert its best efforts to raise new funds and identify investments with good returns for the Company.

During the year ended 31 December 2017, investment management and administration fees of US\$157,540 were paid to the Investment Manager, no incentive fee was entitled during the relevant period.

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 auditor, 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 above by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

As at 31 December 2017, Dr. WANG Ching, Mr. WU Bin and Mr. NI Jianwei are also directors of the Investment Manager.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, 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 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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 2017, as far as the Directors were aware, the following entities or persons had interests and short positions of 5% or more of the shares and underlying shares 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
Shanghai Industrial Investment (Holdings) Company Limited	Held by controlled corporation	1,884,792	17.64%	(1)
Mr. Yuan Chufeng	Held by controlled corporation	1,781,000	16.67%	(2)
Mr. Bart M. Schwartz	Receiver of Gabriel Capital, L.P. and Ariel Fund Limited	1,061,817	9.94%	(3)
Ariel Fund Limited	Beneficial owner	632,896	5.92%	(3)

Notes:

- (1) Shanghai Industrial Investment (Holdings) Company Limited has an indirect interest of 1,884,792 shares in the Company through its 100% indirect ownership in Eternity Business (HK) Investment Limited.
- (2) Mr. Yuan Chufeng's indirect interest in the Company were 1,781,000 shares by virtue of his 100% control over ZKJK Capital Management Limited.
- (3) Mr. Bart M. Schwartz 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 in the Company respectively. His total indirect holding of 1,061,817 shares in the Company represents 9.94% interest in the Company.

Save as disclosed above, as at 31 December 2017, 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 employees 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.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company did not purchase, sell or redeem any of its own shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles 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.

AUDITOR

Ernst & Young retires and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

NI Jianwei

Non-Executive Director

Hong Kong, 20 March 2018

INDEPENDENT AUDITOR'S REPORT



To the shareholders of Shanghai International Shanghai Growth Investment Limited

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

OPINION

We have audited the financial statements of Shanghai International Shanghai Growth Investment Limited (the "Company") set out on pages 47 to 83, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How our audit addressed the key audit matter

Existence and valuation of the unlisted investment in Global Market Group Limited ("GMG")

The unlisted investment in GMG was classified as financial assets at fair value through profit or loss in the statement of financial position at 31 December 2017. The shares of this investment were kept by a custodian and were measured at fair value. We focused on this area because the determination of the valuation technique used in GMG involved significant judgement and the value of GMG constituted 43% of the Company's net asset value, which is the Company's key performance indicator. In addition, the valuation of the unlisted investment required making estimates about expected price to sales ratios and discounts for lack of marketability. As at 31 December 2017, the investment was categorised within Level 3 in the fair value hierarchy.

We obtained independent confirmation from the custodian of the investment portfolio held at 31 December 2017, and agreed the number of shares held to the accounting records. We also sent confirmation to the investee company to confirm the shareholding. In addition, we assessed the appropriateness of the valuation technique and inputs applied through comparison with the valuation techniques that are commonly used in the market and the validation of observable inputs using external market data where appropriate. We also reviewed the financial statement disclosures regarding fair value hierarchy as set out in note 19 to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

(Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Christine Lin.

Ernst & Young

Certified Public Accountants

22/F CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

20 March 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	<i>Notes</i>	2017	2016
		US\$	US\$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income		393	371
Dividend income		39,759	19,795
Net change in unrealised loss on financial assets at fair value through profit or loss	6	(1,010,576)	(938,180)
Net gain on disposal of available-for-sale investments	6	187,197	19,028
Exchange loss		(10,096)	(4,000)
		(793,323)	(902,986)
EXPENSES			
Investment Manager's fees	17(a)	(157,540)	(160,964)
Administrative expenses		(471,175)	(449,795)
		(628,715)	(610,759)
Loss before tax	5	(1,422,038)	(1,513,745)
Income tax	8	–	–
LOSS FOR THE YEAR		(1,422,038)	(1,513,745)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Available-for-sale investments:			
Changes in fair value		318,015	(21,657)
Reclassification adjustments for gain included in profit or loss – gain on disposal		(187,197)	(19,028)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		130,818	(40,685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(1,291,220)	(1,554,430)
LOSS PER SHARE – BASIC AND DILUTED	10	(US13.31 cents)	(US15.59 cents)

STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 US\$	2016 US\$
NON-CURRENT ASSETS			
Available-for-sale investments	11	1,201,459	990,005
Financial assets at fair value through profit or loss	12	2,318,001	3,328,577
Total non-current assets		<u>3,519,460</u>	4,318,582
CURRENT ASSETS			
Prepayments and other receivables	13	104,190	104,683
Cash and bank balances	14	3,594,022	3,828,641
Total current assets		<u>3,698,212</u>	3,933,324
CURRENT LIABILITIES			
Payable and accruals		293,804	48,689
Amount due to the Investment Manager	17(b)	32,375	20,504
Total current liabilities		<u>326,179</u>	69,193
NET CURRENT ASSETS		<u>3,372,033</u>	3,864,131
NET ASSETS		<u>6,891,493</u>	8,182,713
EQUITY			
Share capital	15	1,068,600	1,068,600
Reserves		5,822,893	7,114,113
Total equity		<u>6,891,493</u>	8,182,713
NET ASSET VALUE PER SHARE	16	<u>0.64</u>	0.77

NI Jianwei
Director

WANG Ching
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Notes	Share capital US\$	Share premium account US\$	Available- for-sale investment revaluation reserve US\$ <i>(Note a)</i>	Capital reserve US\$ <i>(Note b)</i>	Accumulated losses US\$	Proposed dividend US\$	Total US\$
At 1 January 2017	1,068,600	12,921,815	(48,337)	(2,518,881)	(3,240,484)	-	8,182,713
Loss for the year	-	-	-	-	(1,422,038)	-	(1,422,038)
Other comprehensive income for the year:							
Net gain on change in fair value of available-for-sale investments, net of tax <i>(Note a)</i>	-	-	318,015	-	-	-	318,015
Reclassification adjustment for gain included in profit or loss upon disposal	6	-	(187,197)	-	-	-	(187,197)
Total comprehensive income for the year	-	-	130,818	-	(1,422,038)	-	(1,291,220)
Transfer from accumulated losses <i>(Note b)</i> :							
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	6	-	-	(1,010,576)	1,010,576	-	-
At 31 December 2017	1,068,600	12,921,815*	82,481*	(3,529,457)*	(3,651,946)*	-	6,891,493

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Notes	Share capital US\$	Share premium account US\$	Available- for-sale investment revaluation reserve US\$ (Note a)	Capital reserve US\$ (Note b)	Accumulated losses US\$	Proposed dividend US\$	Total US\$
At 1 January 2016		890,500	11,176,435	(7,652)	(1,580,701)	(2,664,919)	-	7,813,663
Loss for the year		-	-	-	-	(1,513,745)	-	(1,513,745)
Other comprehensive income for the year:								
Net loss on change in fair value of available-for-sale investments, net of tax (Note a)		-	-	(21,657)	-	-	-	(21,657)
Reclassification adjustment for gain included in profit or loss upon disposal	6	-	-	(19,028)	-	-	-	(19,028)
Total comprehensive income for the year		-	-	(40,685)	-	(1,513,745)	-	(1,554,430)
Issuance of new ordinary shares for US\$0.1 each								
Increase in share capital	15	178,100	-	-	-	-	-	178,100
Increase in share premium	15	-	1,745,380	-	-	-	-	1,745,380
Transfer from accumulated losses (Note b):								
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	6	-	-	-	(938,180)	938,180	-	-
At 31 December 2016		1,068,600	12,921,815*	(48,337)*	(2,518,881)*	(3,240,484)*	-	8,182,713

* These reserve accounts comprise the consolidated reserves of US\$5,822,893 (2016: US\$7,114,113) in the statement of financial position.

Notes:

- (a) Fair value changes of available-for-sale investments are dealt with in the available-for-sale investment 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) Pursuant to the Company's Amended and Restated Memorandum and Articles of Association passed on 12 May 2011, profits arising from the realization 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. As a result, a net unrealised gain or loss on change in fair value of financial assets at fair value through profit or loss is transferred from retained profits/(accumulated losses) to capital reserve.

At 31 December 2017, the balance of the capital reserve represented the unrealised loss of financial assets at fair value through profit or loss.

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 US\$	2016 US\$
<i>Notes</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,422,038)	(1,513,745)
Adjustments for:		
Interest income	(393)	(371)
Dividend income	(39,759)	(19,795)
Net gain on disposal of available-for-sale investments	(187,197)	(19,028)
Net loss on change in fair value of financial assets at fair value through profit or loss	1,010,576	938,180
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(638,811)	(614,759)
Proceeds from disposal of available-for-sale investments	4,890,300	2,859,774
Purchase of available-for-sale investments	(4,783,739)	(2,821,976)
Decrease/(increase) in prepayments and other receivables	493	(61,783)
Increase in accruals	245,115	3,032
Increase/(decrease) in an amount due to Investment Manager	11,871	(3,895)
	<hr/>	<hr/>
Cash used in operations	(274,771)	(639,607)
Interest received	393	371
Dividend received	39,759	19,795
	<hr/>	<hr/>
Net cash used in operating activities	(234,619)	(619,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of new shares	15	–
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(234,619)	1,304,039
Cash and cash equivalents at beginning of year	3,828,641	2,524,602
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	3,594,022
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

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 Company also invests in PRC-related listed securities with the same investment objective in achieving long term capital appreciation of the Company’s assets.

2.1 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments have had no impact on the Company.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the Company.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity’s interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.3 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.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC) – Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Company is described below:

Of those standards, HKFRS 9 will be applicable for the Company's financial year ending 31 December 2018 and is expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of this standard, that assessment is based on the information currently available to the Company. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Company at the time of applying HKFRS 9.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Company will adopt HKFRS 9 from 1 January 2018. The Company will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Company has performed a detailed assessment of the impact of the adoption of HKFRS 9.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

The expected impacts relate to the classification and measurement requirements and are summarised as follows:

Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. As at 31 December 2017, the Company had available-for-sale investments of US\$1,201,459 in listed equity securities held for long term and are non-trading in nature. The available-for-sale investments are measured at fair value and the fair value changes are recognised in equity under the available-for-sale investment revaluation reserve. Upon adoption of HKFRS 9, the Company will designate those financial assets originally classified as available-for-sale investments to financial assets through profit or loss. The available-for-sale investment revaluation reserve of US\$82,481 will be recognised in accumulated losses as at 1 January 2018.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Company measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

- (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);
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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, dividend and other receivables, and quoted and unquoted financial investments.

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 profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments and other financial assets (Cont'd)

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 interest income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables where applicable.

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 as 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 investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in accumulated profits/losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss.

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 profit or loss 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, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 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 primarily derecognised (i.e., removed from the Company's statement of financial position) 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 passthrough 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. 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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of financial assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 profit or loss.

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 profit or loss, is removed from other comprehensive income and recognised in profit or loss.

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. "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 profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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

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 profit or loss.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, if any, 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.

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, if any, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

Hong Kong (Cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional currency. Foreign currency transactions 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 ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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 measured. 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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

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 13 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.

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
- Unlisted securities – Investments in unlisted equity securities

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

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (Cont'd)

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

Year ended 31 December 2017	Listed securities US\$	Unlisted securities US\$	Total US\$
Segment results	226,956	(1,010,576)	(783,620)
Interest income from bank deposits			393
Exchange loss			(10,096)
Unallocated expenses			(628,715)
Loss before tax			(1,422,038)
Year ended 31 December 2016	Listed securities US\$	Unlisted securities US\$	Total US\$
Segment results	38,823	(938,180)	(899,357)
Interest income from bank deposits			371
Exchange loss			(4,000)
Unallocated expenses			(610,759)
Loss before tax			(1,513,745)

For the year ended 31 December 2017, segment results represented the net gain on disposal of listed securities classified as available-for-sale investments, net loss on fair value of unlisted equity securities classified as financial assets at fair value through profit or loss, and the corresponding dividend income earned by each segment without the allocation of administrative expenses and interest income from bank deposits as well as the 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

4. OPERATING SEGMENT INFORMATION (Cont'd)

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

At 31 December 2017	Listed securities US\$	Unlisted securities US\$	Total US\$
Available-for-sale investments	1,201,459	–	1,201,459
Financial assets at fair value through profit or loss	–	2,318,001	2,318,001
Total segment assets	<u>1,201,459</u>	<u>2,318,001</u>	3,519,460
Unallocated assets			<u>3,698,212</u>
Total assets			<u>7,217,672</u>
At 31 December 2016	Listed securities US\$	Unlisted securities US\$	Total US\$
Available-for-sale investments	990,005	–	990,005
Financial assets at fair value through profit or loss	–	3,328,577	3,328,577
Total segment assets	<u>990,005</u>	<u>3,328,577</u>	4,318,582
Unallocated assets			<u>3,933,324</u>
Total assets			<u>8,251,906</u>

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 2017 and 31 December 2016 were unallocated liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	2017 US\$	2016 US\$
Auditor's remuneration	46,465	44,478
Custodian fee	19,835	15,898
Staff costs (excluding directors' remuneration) (Note)		
Salaries and other benefits of employee(s)	95,515	76,796
Retirement benefit costs	3,906	7,075
	168,721	144,247

Note: During the year ended 31 December 2017, five (2016: four) individuals received remuneration from the Company. The remuneration of two employees is disclosed thereon and the remuneration of three directors is disclosed in note 7 to the financial statements.

6. GAIN OR LOSS ON INVESTMENTS

	Listed securities US\$	Unlisted securities US\$	Total US\$
At 31 December 2017			
Included in profit or loss:			
Realised gain:			
Available-for-sale investments	187,197	–	187,197
Financial assets at fair value through profit or loss	–	–	–
	187,197	–	187,197
Unrealised loss:			
Available-for-sale investments	–	–	–
Financial assets at fair value through profit or loss	–	(1,010,576)	(1,010,576)
	–	(1,010,576)	(1,010,576)
Total realised and unrealised gain/(loss) included in profit or loss	187,197	(1,010,576)	(823,379)
Included in other comprehensive income:			
Unrealised gain:			
Available-for-sale investments	130,818	–	130,818
	130,818	–	130,818
Total realised and unrealised gain/(loss) for the year	318,015	(1,010,576)	(692,561)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

At 31 December 2016	Listed securities US\$	Unlisted securities US\$	Total US\$
Included in profit or loss:			
Realised gain:			
Available-for-sale investments	19,028	–	19,028
Financial assets at fair value through profit or loss	–	–	–
	19,028	–	19,028
Unrealised loss:			
Available-for-sale investments	–	–	–
Financial assets at fair value through profit or loss	–	(938,180)	(938,180)
	–	(938,180)	(938,180)
Total realised and unrealised gain/(loss) included in profit or loss	19,028	(938,180)	(919,152)
Included in other comprehensive income:			
Unrealised loss:			
Available-for-sale investments	(40,685)	–	(40,685)
Total realised and unrealised loss for the year	(21,657)	(938,180)	(959,837)

NOTES TO FINANCIAL STATEMENTS

31 December 2017

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017	2016
	US\$	US\$
Fees:		
Dr. HUA Min	15,364	15,466
Mr. ONG Ka Thai	15,364	15,466
Mr. YICK Wing Fat, Simon	15,364	15,466
	46,092	46,398

Except for the directors' fees paid to the independent non-executive directors totaling US\$46,092 (2016: US\$46,398), none of the directors has received any emoluments for both years.

There were no other emoluments payable to the directors during the year (2016: Nil).

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 2017 (2016: Nil).

A reconciliation of the tax expense applicable to loss 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, is as follows:

	2017		2016	
	US\$	%	US\$	%
Loss before tax	(1,422,038)		(1,513,745)	
Tax at the statutory tax rate	(234,636)	16.5	(249,768)	16.5
Tax losses utilised	19,089	(1.4)	37,052	(2.4)
Income not subject to tax	(6,625)	0.5	(3,327)	0.2
Expenses not deductible for tax	222,172	(15.6)	216,043	(14.3)
Tax charge at the effective rate	–	–	–	–

Deferred tax assets have not been previously recognised as the Company has been loss-making for some time and it is not considered probable that taxable profits will be available and cannot be set off against the accumulated tax loss from previous years of assessment in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

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9. DIVIDEND

No dividend has been proposed by the directors for the year ended 31 December 2017 (2016: Nil).

10. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic earnings per share is based on the loss for the year of US\$1,422,038 (2016: loss of US\$1,513,745) and the weighted average number of ordinary shares of 10,686,000 (2016: 9,712,776) in issue during the year.

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2017 and 2016 in respect of dilution as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2017 US\$	2016 US\$
Non-current:		
Listed equity investments, at fair value	<u>1,201,459</u>	990,005

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 closing prices quoted in active markets.

During the year, the fair value gain in respect of the Company's available-for-sale investments recognised in other comprehensive income amounted to US\$318,015 (2016: loss of US\$21,657), of which a net realised gain of US\$187,197 (2016: US\$19,028) was reclassified from other comprehensive income to profit or loss.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 US\$	2016 US\$
Non-current:		
Ordinary shares		
– Global Market Group Limited (“GMG”)	<u>2,318,001</u>	3,328,577

The above financial assets at 31 December 2017 and 2016 were upon initial recognition, designated by the Company as at fair value through profit or loss.

As of 31 December 2017, a total of 8,734,897 ordinary shares of GMG are held by the Company (2016: 8,734,897 shares), representing 9.36% of GMG's total issued ordinary shares (2016: 9.36%).

As of 31 December 2017 and 2016, the value of GMG ordinary shares was measured using the relative valuation model.

NOTES TO FINANCIAL STATEMENTS

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13. PREPAYMENTS AND OTHER RECEIVABLES

	2017 US\$	2016 US\$
Prepayments	39,085	41,153
Other receivables	65,105	63,530
	104,190	104,683

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

	2017 US\$	2016 US\$
Authorised:		
18,000,000 (2016: 18,000,000) ordinary shares of US\$0.10 each	1,800,000	1,800,000
Issued and fully paid:		
10,686,000 (2016: 10,686,000) ordinary shares of US\$0.10 each	1,068,600	1,068,600

There were no movements in the Company's share capital during the year ended 31 December 2017. A summary of movement in the Company's share capital for the year ended 31 December 2016 is as follows:

	Number of shares in issue	Share capital US\$	Share premium account US\$	Total US\$
At 1 January 2016	8,905,000	890,500	11,176,435	12,066,935
Shares issued (<i>Note</i>)	1,781,000	178,100	1,745,380	1,923,480
At 31 December 2016	10,686,000	1,068,600	12,921,815	13,990,415

Note: On 19 July 2016, 1,781,000 shares were issued to ZKJK Capital Management Limited at US\$1.08 per share. The par value of the shares is US\$0.10 each, and the remaining of the subscription price of US\$0.98 per share were considered share premium.

16. NET ASSET VALUE PER SHARE

The calculation of the net asset value ("NAV") per share is based on the Company's NAV as at 31 December 2017 of US\$6,891,493 (31 December 2016: US\$8,182,713) and the number of ordinary shares of 10,686,000 in issue as at 31 December 2017 (31 December 2016: 10,686,000).

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:

	<i>Note</i>	2017 US\$	2016 US\$
Investment management and administration fees charged by the Investment Manager	(i)	157,540	160,964

Note:

- (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 eight supplemental agreement (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 2014, 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 exceeds the high water mark, i.e. the highest NAV as at 31 December in any year less the aggregate amount of all dividends paid by the Company during the year. As defined in the Seventh Supplemental Agreement dated 19 March 2014 to the investment management agreement, the initial high water mark was the NAV as at 31 December 2010, being US\$31,048,060. With effect from 1 July 2017, as defined in the Eighth Supplemental Agreement dated 23 March 2017, the high water mark has been reset to the NAV as at 31 December 2016, being US\$8,182,713.

During the year ended 31 December 2017, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (2016: 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.

- (b) Outstanding balance with a related party:

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

- (c) Compensation of key management personnel of the Company:

The key management personnel of the Company comprise the directors of the Company. Details of directors' emoluments are disclosed in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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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:

2017

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	2,318,001	–	–	2,318,001
Available-for-sale investments	–	–	1,201,459	1,201,459
Financial assets included in prepayments and other receivables	–	65,105	–	65,105
Cash and bank balances	–	3,594,022	–	3,594,022
	2,318,001	3,659,127	1,201,459	7,178,587

* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US\$
Amount due to Investment Manager	32,375

NOTES TO FINANCIAL STATEMENTS

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18. FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

2016

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	3,328,577	–	–	3,328,577
Available-for-sale investments	–	–	990,005	990,005
Financial assets included in prepayments and other receivables	–	63,530	–	63,530
Cash and bank balances	–	3,828,641	–	3,828,641
	<u>3,328,577</u>	<u>3,892,171</u>	<u>990,005</u>	<u>8,210,753</u>

* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US\$
Amount due to Investment Manager	<u>20,504</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The available-for-sale investments and financial assets at fair value through profit or loss held by the Company are carried at fair value.

Management has assessed that the fair values of all other financial assets and liabilities, carried at amortised cost, approximate to their respective carrying amounts due to the relatively short-term nature of these financial instruments.

The Investment Manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments and reports directly to the audit committee of the Company. At each reporting date, the Investment Manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Directors of the Company. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO FINANCIAL STATEMENTS

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

The fair values of listed equity investments are based on quoted market prices. The fair values of suspended trading equity investments and unlisted equity investments are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension, discounts for lack of marketability, expected market multiples. Management believes that the estimated fair value resulting from the valuation technique, which is recorded in other comprehensive income, is reasonable, and that it was the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 December 2017 and 31 December 2016:

Year ended 31 December 2017:

	Valuation technique	Significant unobservable input	Range/ Amount	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Relative valuation model	PS ratio	3.00X	10% increase/decrease in PS ratio would result in increase/decrease in fair value by US\$231,800
		Revenue	US\$9.7 million	10% increase/decrease in revenue would result in increase/decrease in fair value by US\$231,800
		Discount for lack of marketability	15%	10% increase/decrease in the discount for lack of marketability would result in increase/decrease in fair value by US\$40,906

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

Year ended 31 December 2016:

	Valuation technique	Significant unobservable input	Range/ Amount	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Relative valuation model	PS ratio	3.00X	10% increase/decrease in PS ratio would result in increase/decrease in fair value by US\$332,858
		Revenue	US\$13.9 million	10% increase/decrease in revenue would result in increase/decrease in fair value by US\$332,858
		Discount for lack of marketability	15%	10% increase/decrease in the discount for lack of marketability would result in increase/decrease in fair value by US\$58,740

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			Total US\$
	Quoted price in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
Financial assets at fair value through profit or loss:				
Unlisted equity securities	–	–	2,318,001	2,318,001
Available-for-sale financial assets:				
Listed equity securities	1,201,459	–	–	1,201,459
Total	1,201,459	–	2,318,001	3,519,460

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

Fair value hierarchy (Cont'd)

Assets measured at fair value: (Cont'd)

As at 31 December 2016

	Fair value measurement using			Total US\$
	Quoted price in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
Financial assets at fair value through profit or loss:				
Unlisted equity securities	–	–	3,328,577	3,328,577
Available-for-sale financial assets:				
Listed equity securities	990,005	–	–	990,005
Total	990,005	–	3,328,577	4,318,582

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 for both financial assets at fair value through profit and loss and available-for-sale investments (2016: Nil).

The Company did not have any financial liabilities measured at fair value as at 31 December 2017 and 2016.

During the year, there were no transfers of fair value measurements into Level 3 for financial assets at fair value through profit or loss (2016: Nil) and the movements in fair value measurements in Level 3 are as follows:

	2017 US\$	2016 US\$
Financial assets at fair value through profit or loss		
At 1 January	3,328,577	4,266,757
Net change in unrealised loss recognised in profit or loss	(1,010,576)	(938,180)
At 31 December	2,318,001	3,328,577

NOTES TO FINANCIAL STATEMENTS

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

Fair value hierarchy (Cont'd)

Assets measured at fair value: (Cont'd)

During the year, there was no transfer of fair value measurements into Level 3 for available-for-sale investments (2016: Nil) and the movements in fair value measurements in Level 3 are as follows:

	2017 US\$	2016 US\$
Available-for-sale investments		
At 1 January	—	82,354
Net change in unrealised gain recognised in the statement of other comprehensive income	—	—
Transfer out	—	(82,354)
Disposals		
Gain on disposal	—	—
Purchase	—	—
Impairment	—	—
	<hr/>	<hr/>
At 31 December	<hr/> <hr/>	<hr/> <hr/>
Total loss for the year included in profit or loss for assets held at the end of reporting period	<hr/> <hr/>	<hr/> <hr/>

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).

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, except for equity investments that are currently suspended for trading.

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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 (cont'd)

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 2017	High/low 2017	31 December 2016	High/low 2016
Hong Kong – Hang Seng Index ("HSI")	29,919	30,003 22,134	22,001	24,364 18,279

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 6.67% (2016: 0.40%) 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 investment revaluation reserve and no account is given for the factors such as impairment which might impact on profit or loss.

	Carrying amount of equity investments US\$	Increase/ decrease in profit before tax and equity US\$	Increase/ decrease in available-for-sale investment revaluation reserve US\$
2017			
Listed investments in Hong Kong	1,201,459	–	80,137
2016			
Listed investments in Hong Kong	990,005	–	8,910

Financial assets at fair value through profit or loss

As at 31 December 2017, the investment in GMG was valued using the relative valuation model where the comparable companies used in the model were listed on different stock exchanges. Management's best estimate of the effect on the change in profit before tax and equity due to a reasonably possible increase of 10% in the share prices of comparable companies, with all other variables held constant, would be US\$231,800 (2016: US\$332,858). An equivalent decrease in share prices of comparable companies would have resulted in an equivalent, but opposite, impact.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Market risk (Cont'd)

(ii) Foreign currency risk

Certain financial assets and liabilities of the Company including cash and bank balances and an amount due to the Investment Manager, other receivables, investments in unlisted equity securities and investments in listed securities are denominated in Renminbi (RMB), 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.

In 2017, the Company was mainly exposed to fluctuations in the exchange rate of RMB (2016: RMB) 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 as shown in the table below for assessing the currency risk, after considering the average exchange rates between the currencies in 2017 and 2016 policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit or loss before tax US\$	Increase/ (decrease) in equity* US\$
2017			
If the US\$ weakens against RMB	6.7	–	157,212
If the US\$ strengthens against RMB	6.7	–	(157,212)
2016			
If the US\$ weakens against RMB	10.4	–	348,396
If the US\$ strengthens against RMB	10.4	–	(348,396)

* Excluding accumulated losses

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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\$3,594,022 (2016: US\$3,828,641).

As the interest rates on the bank balances are minimal, the Company's exposure to interest rate risk is also minimal.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

Liquidity risk (Cont'd)

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\$
2017				
Financial assets at fair value through profit or loss	–	–	2,318,001	2,318,001
Available-for-sale investments	–	–	1,201,459	1,201,459
Cash and cash equivalents	3,594,022	–	–	3,594,022
Total financial assets	<u>3,594,022</u>	<u>–</u>	<u>3,519,460</u>	<u>7,113,482</u>
Amount due to Investment Manager	32,375	–	–	32,375
Total financial liabilities	<u>32,375</u>	<u>–</u>	<u>–</u>	<u>32,375</u>
	On demand US\$	Less than 1 year US\$	1 to 5 years US\$	Total US\$
2016				
Financial assets at fair value through profit or loss	–	–	3,328,577	3,328,577
Available-for-sale investments	–	–	990,005	990,005
Cash and cash equivalents	3,828,641	–	–	3,828,641
Total financial assets	<u>3,828,641</u>	<u>–</u>	<u>4,318,582</u>	<u>8,147,223</u>
Amount due to Investment Manager	20,504	–	–	20,504
Total financial liabilities	<u>20,504</u>	<u>–</u>	<u>–</u>	<u>20,504</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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

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 maximize 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2018.

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				
	2013 US\$'000	2014 US\$'000	2015 US\$'000	2016 US\$'000	2017 US\$'000
RESULTS					
Income	97	3,164	79	39	227
Expenses	(8,142)	(965)	(3,965)	(1,553)	(1,649)
Profit/(loss) before tax	(8,045)	2,199	(3,886)	(1,514)	(1,422)
Tax	–	210	–	–	–
Profit/(loss) for the year	(8,045)	2,409	(3,886)	(1,514)	(1,422)
Earnings/(loss) per share (cents)					
– Basic and diluted	(90.35)	27.05	(43.64)	(15.59)	(13.31)
	At 31 December				
	2013 US\$'000	2014 US\$'000	2015 US\$'000	2016 US\$'000	2017 US\$'000
ASSETS AND LIABILITIES					
Total assets	11,707	12,801	7,884	8,252	7,218
Total liabilities	(422)	(53)	(70)	(69)	(326)
Net assets	11,285	12,748	7,814	8,183	6,892
Net asset value per share	US\$1.27	US\$1.43	US\$0.88	US\$0.77	US\$0.64