

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 770)



2018
Interim 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

Ms. NG Yin Yuet Jenny

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF
SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED
(An exempted company incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 5 to 26, which comprises the condensed statement of financial position of Shanghai International Shanghai Growth Investment Limited (the “Company”) as at 30 June 2018 and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

22 August 2018

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2018

	Six months ended 30 June	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)
<i>Notes</i>	US\$	US\$	US\$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income	349	202	
Dividend income	16,750	22,205	
Net change in unrealised loss on financial assets at fair value through profit or loss	6 (1,377,929)	(435,729)	
Net loss on disposal of financial assets at fair value through profit or loss	6 (19,940)	–	
Net gain on disposal of available-for-sale investments	–	83,222	
	(1,380,770)	(330,100)	
EXPENSES			
Investment Manager's fees	14(a) (68,005)	(81,762)	
Administrative expenses	(211,004)	(248,145)	
Exchange loss	(8,317)	(6,861)	
	(287,326)	(336,768)	
Loss before tax	(1,668,096)	(666,868)	
Income tax	7 –	–	
LOSS FOR THE PERIOD	(1,668,096)	(666,868)	
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments:			
Changes in fair value	–	152,226	
Reclassification adjustment for gain included in profit or loss upon disposal	–	(83,222)	
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	–	69,004	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,668,096)	(597,864)	
LOSS PER SHARE – BASIC AND DILUTED	9 (US15.61 cents)	(US6.24 cents)	

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

30 June 2018

		30 June 2018 (Unaudited) US\$	31 December 2017 (Audited) US\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Available-for-sale investments	10	–	1,201,459
Financial assets at fair value through profit or loss	11	1,769,105	2,318,001
Total non-current assets		1,769,105	3,519,460
CURRENT ASSETS			
Prepayments and other receivables		23,977	104,190
Cash and bank balances		3,506,729	3,594,022
Total current assets		3,530,706	3,698,212
CURRENT LIABILITIES			
Payables and accruals		41,218	293,804
Amount due to the Investment Manager	14(b)	35,196	32,375
Total current liabilities		76,414	326,179
NET CURRENT ASSETS		3,454,292	3,372,033
NET ASSETS		5,223,397	6,891,493
EQUITY			
Share capital	12	1,068,600	1,068,600
Reserves		4,154,797	5,822,893
Total equity		5,223,397	6,891,493
NET ASSET VALUE PER SHARE	13	0.49	0.64

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2018

	Issued capital US\$	Share premium US\$	Revaluation reserve (Note a) US\$	Capital reserve US\$	Accumulated losses US\$	Proposed dividend US\$	Total US\$
At 31 December 2017 (audited)	1,068,600	12,921,815*	82,481*	(3,529,457)*	(3,651,946)*	-	6,891,493
Effect of the adoption of HKFRS 9	-	-	(82,481)	-	82,481	-	-
At 1 January 2018	1,068,600	12,921,815*	-	(3,529,457)*	(3,569,465)*	-	6,891,493
Total comprehensive income for the period	-	-	-	-	(1,668,096)	-	(1,668,096)
Transfers from accumulated losses (Note b):							
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	-	-	-	(1,377,929)	1,377,929	-	-
At 30 June 2018 (unaudited)	1,068,600	12,921,815*	-	(4,907,386)*	(3,859,632)*	-	5,223,397

* These reserve accounts comprise the consolidated reserves of US\$4,154,797 (31 December 2017: US\$5,822,893; six months ended 30 June 2017: US\$6,516,249) in the interim condensed statement of financial position.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2018

	Issued capital US\$	Share premium US\$	Available- for-sale investment revaluation reserve US\$	Capital reserve US\$	Accumulated losses US\$	Proposed dividend US\$	Total US\$
At 1 January 2017 (audited)	1,068,600	12,921,815	(48,337)	(2,518,881)	(3,240,484)	-	8,182,713
Loss for the period	-	-	-	-	(666,868)	-	(666,868)
Other comprehensive income for the period:							
Change in fair value of available- for-sale investments, net of tax	-	-	152,226	-	-	-	152,226
Reclassification adjustment for gain included in profit or loss upon disposal	-	-	(83,222)	-	-	-	(83,222)
Total comprehensive income for the period	-	-	69,004	-	(666,868)	-	(597,864)
Transfers from accumulated losses (Note b):							
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	-	-	-	(435,729)	435,729	-	-
At 30 June 2017 (unaudited)	1,068,600	12,921,815*	20,667*	(2,954,610)*	(3,471,623)*	-	7,584,849

Notes:

- (a) The balance at 31 December 2017 represents the available-for-sale investments reserve under HKAS 39.
- (b) Pursuant to the Company's Amended Memorandum and Articles of Association passed on 12 May 2011, profits arising from the realisation of investments shall be available for distribution as dividends. Profits arising from revaluation of investments may be available for distribution as dividends only at the discretion of the board of directors. As a result, a net unrealised loss on change in fair value of financial assets at fair value through profit or loss (comprising unlisted equity investments: US\$1,335,043 and listed equity investments: US\$42,886) is transferred from accumulated losses to capital reserve.

At 30 June 2018 and 31 December 2017, the balance of the capital reserve represented the unrealised loss on financial assets at fair value through profit or loss.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

Six months ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) US\$	2017 (Unaudited) US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,668,096)	(666,868)
Adjustments for:		
Interest income	(349)	(202)
Dividend income	(16,750)	(22,205)
Net gain on disposal of available-for-sale investments	–	(83,222)
Net change in unrealised loss on financial assets at fair value through profit or loss	1,377,929	435,729
Net loss on disposal of financial assets at fair value through profit or loss	19,940	–
Operating cash flows before movements in working capital	(287,326)	(336,768)
Decrease in prepayments and other receivables	86,702	86,354
Increase in amount due to the Investment Manager	2,821	2,266
(Decrease)/increase in payables and accruals	(252,586)	19,077
Cash used in operations	(450,389)	(229,071)
Interest received	349	202
Dividend received	10,261	9,682
Net cash flows used in operating activities	(439,779)	(219,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale investments	–	2,431,818
Purchase of available-for-sale investments	–	(2,703,718)
Proceeds from disposal of financial assets at fair value through profit or loss	1,776,534	–
Purchase of financial assets at fair value through profit or loss	(1,424,048)	–
Net cash flows from/(used in) investing activities	352,486	(271,900)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(87,293)	(491,087)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,594,022	3,828,641
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,506,729	3,337,554
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,506,729	3,337,554

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

1. CORPORATE INFORMATION

Shanghai International Shanghai Growth Investment Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and the Company’s shares with stock code 770 are listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”). The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the period, the Company was principally engaged in making 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. BASIS OF PREPARATION

The interim condensed financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which has been measured at fair value. These interim condensed financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest dollar except when otherwise indicated.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Company’s accounting policies and key sources of uncertainty were the same as those applied in the preparation of the annual financial statements for the year ended 31 December 2017.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

4. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised HKFRS as of 1 January 2018, noted below:

HKFRS 9 *Financial Instruments*

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

The classification and measurement requirements of HKFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under HKAS 39. The Company has designated those financial assets originally classified as available-for-sale investments to financial assets at fair value through profit or loss, and the available-for-sale investment revaluation reserve of US\$82,481 has been recognised in accumulated losses on 1 January 2018.

In addition, the application of the Expected Credit Loss model under HKFRS 9 has not significantly changed the carrying amounts of the Company's amortised cost financial assets.

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. HKFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as fair value through profit or loss under HKAS 39 are still classified as fair value through profit or loss under HKFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to HKFRS 9.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

4. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
HKFRS 16	<i>Leases¹</i>
HKFRS 17	<i>Insurance Contracts²</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments¹</i>
Annual Improvements 2015–2017 Cycle	<i>Amendments to a number of HKFRS issued in February 2018¹</i>

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

² Effective for annual periods beginning on or after 1 January 2021

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

The HKICPA issued the amendments to HKFRS 9 in November 2017 which clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss. The Company expects to adopt the amendments on 1 January 2019. The Company does not expect the amendments to have any significant impact on the financial position or performance of the Company upon adoption.

5. 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 10 and 11 to the interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

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

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

	Listed securities US\$	Unlisted securities US\$	Total US\$
Six months ended 30 June 2018			
<u>(unaudited)</u>			
Segment results	(46,076)	(1,335,043)	(1,381,119)
Interest income from bank deposits			349
Exchange loss			(8,317)
Unallocated expenses			(279,009)
Loss before tax			<u>(1,668,096)</u>

For the six months ended 30 June 2018, segment results represented the net loss on disposal of listed equity securities classified as financial assets at fair value through profit or loss, net loss on change in fair value of both listed equity securities and 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.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

5. OPERATING SEGMENT INFORMATION (Cont'd)

	Listed securities US\$	Unlisted securities US\$	Total US\$
<u>Six months ended 30 June 2017</u>			
<u>(unaudited)</u>			
Segment results	105,427	(435,729)	(330,302)
Bank interest income			202
Exchange loss			(6,861)
Unallocated expenses			(329,907)
Loss before tax			(666,868)

For the six months ended 30 June 2017, segment results represented the net gain on disposal of listed equity securities classified as available-for-sale investments, net loss on change in 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 INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

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

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

	Listed securities US\$	Unlisted securities US\$	Total US\$
<u>At 30 June 2018 (unaudited)</u>			
Financial assets at fair value through profit or loss	786,147	982,958	1,769,105
Total segment assets	786,147	982,958	1,769,105
Unallocated assets			3,530,706
Total assets			5,299,811
	Listed securities US\$	Unlisted securities US\$	Total US\$
<u>At 31 December 2017 (audited)</u>			
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	1,201,459	2,318,001	3,519,460
Unallocated assets			3,698,212
Total assets			7,217,672

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, dividend receivables, and cash and bank balances.

All liabilities as at 30 June 2018 and 31 December 2017 are unallocated liabilities.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS*Six months ended 30 June 2018***6. GAIN OR LOSS ON INVESTMENTS**

	Listed securities US\$	Unlisted securities US\$	Total US\$
Six months ended 30 June 2018			
(unaudited)			
<i>Included in profit or loss:</i>			
Realised loss:			
Financial assets at fair value through profit or loss	(19,940)	–	(19,940)
Unrealised loss:			
Financial assets at fair value through profit or loss	(42,886)	(1,335,043)	(1,377,929)
Total realised and unrealised loss included in profit or loss	(62,826)	(1,335,043)	(1,397,869)
Total realised and unrealised loss for the period	(62,826)	(1,335,043)	(1,397,869)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

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

	Listed securities US\$	Unlisted securities US\$	Total US\$
<u>Six months ended 30 June 2017</u> (unaudited)			
<i>Included in profit or loss:</i>			
Realised gain:			
Available-for-sale investments	83,222	–	83,222
Unrealised loss:			
Financial assets at fair value through profit or loss	–	(435,729)	(435,729)
Total realised and unrealised gain/ (loss) included in profit or loss	83,222	(435,729)	(352,507)
<i>Included in other comprehensive income:</i>			
Unrealised gain:			
Available-for-sale investments	69,004	–	69,004
Total realised and unrealised gains/(losses) for the period	152,226	(435,729)	(283,503)

7. TAXATION

No provision for Hong Kong profits tax has been made in the interim condensed financial statements as the Company did not generate assessable profits arising in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017 (unaudited): Nil).

8. DIVIDEND

The directors did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017 (unaudited): Nil).

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

9. LOSS PER SHARE – BASIC AND DILUTED

The calculation of basic loss per share is based on the loss for the period of US\$1,668,096 (six months ended 30 June 2017 (unaudited): loss of US\$666,868) and the weighted average number of ordinary shares of 10,686,000 (six months ended 30 June 2017 (unaudited): 10,686,000) in issue during the period.

No adjustment has been made to the basic loss per share amounts for the six month periods ended 30 June 2018 and 2017 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those six-month periods ended 30 June 2018 and 2017.

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018 (Unaudited) US\$	31 December 2017 (Audited) US\$
Non-current:		
Listed equity investments, at fair value	–	1,201,459

The Company's investments in listed equity securities are held for long-term.

During the six months ended 30 June 2017, the net fair value gain in respect of the Company's Hong Kong listed available-for-sale investments recognised in other comprehensive income amounted to US\$152,226, of which a gain of US\$83,222 was reclassified from other comprehensive income to profit or loss upon disposal for the period.

Upon adoption of HKFRS 9, the Company has designated those financial assets originally classified as available-for-sale investments to financial assets at fair value through profit or loss. Further details of the Company's investments in financial assets at fair value through profit or loss after the transition to HKFRS 9 on 1 January 2018 are included in note 11 to the interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited) US\$	31 December 2017 (Audited) US\$
Non-current:		
Unlisted equity investments – Ordinary shares, at fair value		
Global Market Group Limited (“GMG”)	982,958	2,318,001
Listed equity investments, at fair value	786,147	–
	1,769,105	2,318,001

Unlisted equity investments – Ordinary shares, at fair value:

Those financial assets at 30 June 2018 and 31 December 2017 was upon initial recognition, designated by the Company as at fair value through profit or loss.

As at 30 June 2018 and 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. As at 30 June 2018 and 31 December 2017, the value of GMG ordinary shares was measured using relative valuation models.

Listed equity investments, at fair value:

The Company’s investments in listed equity securities are held for long-term, and designated by the Company as at fair value through profit or loss after the transition to HKFRS 9.

During the six months ended 30 June 2018, the net fair value loss in respect of the Company’s Hong Kong investments recognised in profit or loss amounted to US\$62,826, of which a net loss of US\$19,940 was recognised upon disposal for the period.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

12. SHARE CAPITAL

	30 June 2018 (Unaudited) US\$	31 December 2017 (Audited) US\$
Authorised:		
18,000,000 (2017: 18,000,000) ordinary shares of US\$0.10 each	1,800,000	1,800,000
Issued and fully paid:		
10,686,000 (2017: 10,686,000) ordinary shares of US\$0.10 each	1,068,600	1,068,600

13. NET ASSET VALUE PER SHARE

The calculation of the net asset value ("NAV") per share is based on the Company's NAV as at 30 June 2018 of US\$5,223,397 (31 December 2017 (audited): US\$6,891,493) and the number of ordinary shares of 10,686,000 in issue as at 30 June 2018 (31 December 2017 (audited): 10,686,000).

14. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June 2018 (Unaudited) US\$	2017 (Unaudited) US\$
Investment management and administration fees charged by the Investment Manager	68,005	81,762

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

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

(a) *(Cont'd)*

Note:

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 eight Supplemental Agreements (collectively the "Investment Management Agreements"), the management and administration fees are calculated and payable quarterly in advance at 0.5% of the NAV (calculated before deductions of the fees payable to the Investment Manager, and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

With effect from the year ended 31 December 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 should be 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 six months ended 30 June 2018, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (six months ended 30 June 2017 (unaudited): Nil), in accordance with the incentive fee calculation of the Investment Management Agreements.

(b) Outstanding balances with related party:

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' fees are as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US\$	US\$
Directors' fees	22,940	23,056

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets at fair value 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.

The fair values of listed equity investments are based on quoted market prices. The fair values of suspended trading equity investment 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, and expected market multiples. Management believes that the estimated fair value resulting from the valuation technique, which is recorded in profit or loss, is reasonable, and that it was the most appropriate value at the end of the reporting period.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 30 June 2018 and 31 December 2017:

Six months period ended 30 June 2018 (unaudited):

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	EV/S ratio*	2.04X	10% increase/decrease in EV/S ratio would result in increase/decrease in fair value by US\$98,296
		Revenue	US\$4.84 Million	10% increase/decrease in revenue would result in increase/decrease in fair value by US\$98,296
		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\$17,346

* EV/S ratio stands for the Enterprise Value to Sales ratio.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

Year ended 31 December 2017 (audited):

	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\$9.70 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

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

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

Assets measured at fair value:

	Fair value measurement using			Total US\$
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	US\$	US\$	US\$	

As at 30 June 2018 (unaudited)

*Financial assets at fair value
through profit or loss*

Unlisted equity securities	–	–	982,958	982,958
Listed equity securities	786,147	–	–	786,147

Total	786,147	–	982,958	1,769,105
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	Fair value measurement using			Total US\$
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	US\$	US\$	US\$	

As at 31 December 2017 (audited)

*Financial assets at fair value
through profit or loss*

Unlisted equity securities	–	–	2,318,001	2,318,001
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Available-for-sale investments

Listed equity securities	1,201,459	–	–	1,201,459
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Total	1,201,459	–	2,318,001	3,519,460
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The Company did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2018

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Cont'd)

Financial assets at fair value through profit or loss

During the six months ended 30 June 2018 and 2017, there were no transfers of fair value measurements into or out of Level 3 and between Level 1 and Level 2 for financial assets at fair value through profit or loss.

Reconciliation of Level 3 fair value measurements of financial assets at fair value through profit or loss is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	US\$	US\$
<i>Financial assets at fair value through profit or loss</i>		
At 1 January	2,318,001	3,328,577
Change in fair value	(1,335,043)	(435,729)
At 30 June	982,958	2,892,848

16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved and authorised for issue by the Board of Directors of the Company on 22 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company recorded an unaudited loss of US\$1,668,096 for the six months ended 30 June 2018 (six months ended 30 June 2017: unaudited loss of US\$666,868). Such loss was mainly attributable to drop in fair value on the Company's unlisted investment, Global Market Group Limited ("GMG").

As at 30 June 2018, 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 Investment Manager adopted a relative valuation model to calculate the fair value of GMG by reference to listed companies in Chinese E-commerce industry. Conservative assumptions were applied given a significant decrease in revenue from its B2B business and GMG's new business is still in a premature state. The fair value was re-assessed to US\$982,958 as at 30 June 2018, which resulted in a drop of US\$1,335,043 in fair value as compared to that as at the end of 2017.

As for Hong Kong listed securities portfolio, the Company recorded realised loss of US\$19,940 on disposal of listed securities for the six months ended 30 June 2018 (six months ended 30 June 2017: realised gain of US\$83,222) and unrealised loss of US\$42,886 was recorded on listed securities held as at 30 June 2018 (as at 30 June 2017: unrealised gain of US\$69,004). Besides, dividend income from listed securities of US\$16,750 was recorded in the reporting period as compared to US\$22,205 in the last corresponding period.

Hang Seng Index ("HSI") continued its upward trend in 2017 and performed strongly in January 2018, breaking through 33,000 points at a time. However, the sell-off in the stock market accelerated in June as the US decided to impose 25% tariffs on US\$50 billion China imports and threatened the scale will be increased to US\$200 billion should China chose to retaliate. The HSI, hence, fell to 28,169 as its lowest and closed at 28,955 points as at 30 June 2018, down 3.22% from the end of the last year.

The top and bottom HSI fluctuation was 5,315 points during the first half of 2018, indicating the overall market was extremely volatile. Owing to the cautious stance over the investment market, the Company has been proactive and taken full advantage of reallocating various investment positions when HSI was still above 30,000 points level. Hence, the return of the Company's listed portfolio outperformed the HSI by 91 basis point to a drop of 2.31%.

As at 30 June 2018, the Company's net asset value ("NAV") per share was US\$0.49 as compared with US\$0.64 at the end of 2017; a 23.44% decrease mainly due to further unrealised loss on fair value in GMG in the first half of 2018. As at 30 June 2018, the Company's share price was US\$0.77, reflecting a 57% premium to NAV per share.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

China Economy

In the first half of 2018, international trade, financial markets, geopolitics conditions and China economy were all facing great uncertainties. However, under the support of the global economic recovery, the transformation of domestic industry structure, and the revival of the real estate market, China overall economy experienced a steady growth, despite the growth rate declined quarter by quarter. In the first quarter of this year, GDP increased by 6.8% year-on-year, and GDP in the second quarter increased by 6.7% year-on-year. Overall, it rose by 6.8% in the first half of this year.

During the first interim, the three major investment areas performed differently. Real estate investment has accelerated while manufacturing investment has stabilised, but infrastructure investment has slowed down significantly. Export growth accelerated strongly in the first five months, with the growth rate being the highest since 2013. The business of non-manufacturing industries continued to grow steadily. However, the on-going "fiscal-tightening" policy around the globe has a relatively heavy contraction effect on China's economy, resulting in the rise of corporate financing costs and defaults on corporate bonds. The People's Bank of China implementation of three targeted required reserve ratio cuts during the first interim was essential to ease the effects of credit crunch.

Looking forward to the second half of the year, the Sino-US trade dispute, the Federal Reserve interest rates increase, coupled with the domestic de-leveraging progress and further real estate control policies, all of which could have hindered the domestic economic growth. However, given the China economy has substantial amount of savings and the domestic consumption market is fundamentally strong and growing, the downside risk of further economic deterioration for the remaining of the year is extremely limited.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW *(Cont'd)*

Relevant stock markets' performance in the first half of 2018

Indices	30 June 2018	31 December 2017	Change
Hang Seng Index	28,955.11	29,919.15	-3.22%
Hang Seng China Enterprises Index	11,073.00	11,709.30	-5.43%
Hang Seng China – Affiliated Corporations Index	4,376.51	4,426.25	-1.12%
Shanghai SE Composite Index	2,847.42	3,307.17	-13.90%
Shenzhen SE Composite Index	1,607.62	1,899.34	-15.36%
Taiwan Exchange Index	10,836.91	10,642.86	1.82%
Dow Jones Industrial Average Index	24,271.41	24,719.22	-1.81%
Standard and Poor's 500 Index	2,718.37	2,673.61	1.67%
NASDAQ Composite Index	7,510.30	6,903.39	8.79%

Portfolio Allocation

	30 June 2018	31 December 2017
Unlisted investments	19%	34%
Listed investments	15%	17%
Cash and cash equivalents	66%	49%
Total	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

Hong Kong Stock Market

Benefiting from the buoyant funds and the stabilization of the Chinese economy, the HSI continued its upward trend in 2017 and performed strongly in January 2018, breaking through 33,000 points at a time. The new reform measures announced by The Hong Kong Stock Exchange Limited have further boosted market confidence. At the same time, the major US indices also rose significantly. In February, due to high inflation expectation, the market was concerned that the US Federal Reserve ("Fed") would accelerate its interest rate hike, together with the US 10-year bond yield hit a four-year high, the market started to fall. In the second quarter of 2018, the Sino-US trade tensions escalated, the failed trade talks spooked the market with concerns that a full-scale trade war will have a spillover effect on hindering the global economic recovery. The sell-off in the stock market accelerated in June as the US decided to impose 25% tariffs on US\$50 billion China imports and threatened the scale will be increased to US\$200 billion should China chose to retaliate. The HSI, hence, fell to 28,169 as its lowest and closed at 28,955 points as at 30 June 2018, down 3.22% from the end of the last year.

The top and bottom HSI fluctuation was 5,315 points during the first half of 2018, indicating the overall market was extremely volatile. Owing to the cautious stance over the stock market, the Company has been proactive and taken full advantage of reallocating various investment positions when the HSI was still above 30,000 points level. Hence, the return of the Company's listed portfolio outperformed the HSI by 91 basis point to a drop of 2.31%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Securities Portfolio

As at 30 June 2018

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>							
HSBC Holdings PLC	Banking & financial services	22,000	0.00011	191,478	206,357	3.95	6,820
Tencent Holdings Limited	E-Commerce & internet services	4,100	0.00004	210,349	205,768	3.94	571
China Construction Bank Corporation – H shares	Banking & financial services	100,000	0.00004	92,794	92,397	1.77	–
Ping An Insurance (Group) Company of China, Ltd – H shares	Financial & insurance services	8,000	0.00011	90,488	73,611	1.41	1,356
Wisdom Education International Holdings Co. Ltd	Consumer services – Education	92,000	0.00450	72,565	80,315	1.54	387
HKT Trust & HKT Limited	Telecommunications	100,000	0.00132	126,863	127,699	2.44	4,682
Other listed securities				–	–	–	2,934
Total investment in listed securities				<u>784,537</u>	<u>786,147</u>	<u>15.05</u>	<u>16,750</u>

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Securities Portfolio (Cont'd)

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

UNLISTED INVESTMENTS REVIEW

The Investment Manager studied several new potential projects in the first half of 2018. However, no new investments were consummated in view of the Company's limited cash resources.

Unlisted Investments Portfolio

As at 30 June 2018

Invested project	Nature of business	% of equity interest %	Amount invested at cost US\$	Fair value changes US\$	Fair value of investment at 30 June 2018 US\$	% of net asset value %	Dividend income US\$	Accumulated dividend income US\$
Global Market Group Limited (Note)	B2B platform	9.36	5,847,458	(4,064,500)	982,958	18.82	–	1,814,613

As at 31 December 2017

Invested project	Nature of business	% of equity interest %	Amount invested at cost US\$	Fair value changes US\$	Fair value of investment at 31 December 2017 US\$	% of net asset value %	Dividend income US\$	Accumulated dividend income US\$
Global Market Group Limited (Note)	B2B platform	9.36	5,847,458	(3,529,457)	2,318,001	33.64	–	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 slowed down and resources are diverted to development of its cross-border E-commerce consignment trading platform which is expected to help in accelerating its overall business growth.

The Company invested in GMG for a consideration of US\$5 million in 2008. 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.

As at 30 June 2018, 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. In the absence of a readily quoted market price of GMG, the Investment Manager adopted a relative valuation model to calculate the fair value of GMG by reference to comparable listed companies in Chinese E-commerce industry. Conservative assumptions were applied given significant decrease in revenue from its B2B business and GMG's new business is still in a premature state. The fair value of the Company's holding in GMG as at 30 June 2018 was re-assessed at US\$982,958. This resulted in a drop of US\$1,335,043 in fair value as compared to that as at the end of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

For the second half of 2018, there are still three major concerns in the investment market. The first and most important is China's trade dispute with the US. Whether there will be a compromise between the two will largely affect the global economic growth going forward. Second is the rate of the US interest rate hike and its subsequent impact on US 2–10 years government treasury bonds yield. If the 10-year bond yield continues to rise due to higher interest rate, investors will divert more of their capitals away from riskier assets like equity markets. The final concern is the de-leveraging progress in China because there were several corporate and municipal bonds default over the past few months. Market participants are wary whether these were only specific cases or a “tip of an ice-bar” waiting to be exposed in a grand scale.

In terms of listed investments, the strategy will be seeking opportunities to overweight high-quality companies with great growth potential. The Investment Manager will focus on industries that will ride on Chinese consumption upgrade, healthcare needs, education sector consolidation and technology enhancements. The Company will continue to adhere to its prudent investment strategy and be aware of any potential risks.

In respect of unlisted investments, the Investment Manager will continue to monitor closely the development of GMG and strike for appropriate exit opportunity. As to investment strategy, the Company shall continue to seek investment opportunities co-invest with other renowned fund management companies or industrial investment groups and activate the Company's capital financing function as soon as possible in the face of lacking available fund for new investments.

OTHER INFORMATION

KEY PERFORMANCE INDICATOR

The board of Directors (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.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

During the first half of 2018, the Company did not participate in any new unlisted investment. The Company’s bank balances as of 30 June 2018 were US\$3,506,729 (31 December 2017: US\$3,594,022). Apart from listed securities investments, cash were used for operating and administrative expenses. The Company did not have any bank borrowing or capital commitment on its unlisted investments as of 30 June 2018 and 31 December 2017 respectively.

USE OF PROCEEDS FROM PLACING OF NEW SHARES

Reference is made to the Company’s announcement on 19 July 2016 in relation to completion of subscription of new shares placement under general mandate, the net proceeds of approximately US\$1.87 million raised had been fully utilized for the Company’s investment in listed securities up to the period ended 30 June 2018.

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 30 June 2018, the Company’s investment in one unlisted security, whose operating currency is RMB, is valued at US\$982,958. There is no hedging policy, the value of this investment and currency exposure risk are monitored closely by the Investment Manager.

EMPLOYEES

The Company has two employees and continues to delegate the day-to-day administration of its investment portfolio to the Investment Manager.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, none of the Directors nor their associates had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance (the “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 (the “Model Code”).

OTHER INFORMATION

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

At 30 June 2018, the following entities or persons had interests and short positions of 5% or more in the shares and underlying shares of the Company based solely on information 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. ("Gabriel Capital") and Ariel Fund Limited ("Ariel"), 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.

In July 2018, the Company has been informed by Gabriel Capital Corporation ("GCC") (the previous investment manager of Ariel prior to going into receivership, the investment manager of Amber Fund Limited ("Amber"), and a fellow subsidiary of Gabriel Capital) that a definitive agreement has been entered with Rosebrook Capital for the transfer by each of Ariel, Amber and Gabriel Capital of their respective entire shareholding interest in the Company to Rosebrook Opportunities Fund, LP (the "Proposed Transfer") although the date of completion of the Proposed Transfer has yet to be determined. For further information relating to the Proposed Transfer, please refer to the announcement dated 25 July 2018 published by the Company.

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2018, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, the Company did not purchase, sell or redeem any of the Company's listed securities.

CORPORATE GOVERNANCE

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 six months ended 30 June 2018, the Company has complied with the code provisions (the "Code Provisions") under the CG Code, save and except for the deviations as described below.

Code Provisions A.2.1 to A.2.9 set out the division of responsibilities between the chairman and chief executive as well as set out key responsibilities of the chairman from a corporate governance perspective, including Code Provision A.2.7 which stipulates that the chairman should at least annually hold meetings with non-executive directors (including independent non-executive directors) without the executive directors present.

No chairman or chief executive has been appointed or designated by the Company. However, the Board is of the view that all Directors together bring diverse experience and expertise to the Board, and are collectively responsible for the stewardship of the Company. In view of the streamlined structure of the Company, contributions to the Company are made by the Board as a whole, while the investment portfolio and daily operations of the Company are managed by the Investment Manager under the supervision of the Board. The Board considers that this existing structure will not impair the balance of power and authority between the management of the Board and the management of its business as set out in the principle of A.2 of CG Code.

Code Provision A.4.1 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.

OTHER INFORMATION

CORPORATE GOVERNANCE *(Cont'd)*

Code Provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. As stated in the above, no chairman has been appointed or designated by the Company. Given all Directors are collectively responsible for the Company's stewardship, the Board considers that it was adequate for the Board to elect a Director to chair the annual general meeting of the Company held on 29 May 2018.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee, with respective defined terms of reference (available on the Company's and HKEX's websites), which are on no less exacting terms than those set out in the CG Code.

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. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has reviewed the Company's unaudited interim financial information for the six months ended 30 June 2018 for the Board's approval. The Audit Committee has also met with management of the Investment Manager to supervise the Company's matters on internal control, risk management and financial reporting process.

The unaudited interim financial information has also been reviewed by the Company's independent auditors, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young's unmodified independent review report to the Board is included in this interim report.

Remuneration Committee

The Remuneration Committee has been established since March 2005 and 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.

Nomination Committee

The Nomination Committee has been established since February 2012 and currently comprises all three INEDs, namely Dr. HUA Min (Chairman), Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors’ securities transactions. In response to specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2018.

By Order of the Board

Shanghai International Shanghai Growth Investment Limited

WANG Ching

Executive Director

Hong Kong, 22 August 2018