SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

2018 Annual Report

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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Dr. WANG Ching
Mr. WU Bin

Independent Non-executive Directors:

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

Non-executive Directors:

Mr. FENG Huang
Mr. LU Xuefang *(appointed on 18 March 2019)*
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

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 2018.

REVIEW OF RESULTS

The Company recorded a net loss of US$2,684,133 for the year ended 31 December 2018, compared with a loss of US$1,422,038 in 2017. Such loss was mainly attributable to drop in fair value on the Company's unlisted investment, Global Market Group Limited ("GMG").

As at 31 December 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 as of 31 December 2018 by reference to listed companies in the 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 of the Company's holding in GMG as at 31 December 2018 was re-assessed to US$259,465, resulting in a drop of US$2,058,536 in fair value as compared to that as at the end of 2017 (2017: a drop of US$1,010,576).

As for Hong Kong listed investments portfolio, the Company received dividend income of US$27,458 in 2018 (2017: US$39,759) and recorded a realised loss on disposal of listed securities of US$87,035 (2017: realised gain US$187,197). The listed investments portfolio recorded a fair value gain of US$12,451 at 31 December 2018 (31 December 2017: US$82,481). The overall return of the Company's listed investments portfolio for the year was -2.3%, outperforming the Hang Seng Index which fell 13.6%.

The Company's audited net asset value ("NAV") per share as at 31 December 2018 was US$0.39, a 39.06% decrease as compared with US$0.64 at the end of 2017. Such decrease was mainly due to further unrealised loss on the fair value of GMG at the end of the year. As at 31 December 2018, the Company's share price was US$0.67 (2017: US$0.98), reflecting a 71.79% 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 92 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 loss in one of the Company's investments.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company did not participate in any new unlisted investment in 2018. The Company's bank balances as of 31 December 2018 were US$3,485,906 (2017: US$3,594,022). No dividends were paid during the year. Apart from listed securities investments, cash were used for operating and administrative expenses.

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 utilised for the Company's investment in listed securities up to the year ended 31 December 2018.

BOARD OF DIRECTORS' STATEMENT

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2018, 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 2017: Nil).

As at 31 December 2018, 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 2018 and 31 December 2017. As at 31 December 2018, the Company's current ratio (current assets to current liabilities) was approximately 41.36 (2017: 11.34). The ratio of total liabilities to total assets of the Company was approximately 2.01% (2017: 4.52%).

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 2018, the Company's investment in one unlisted security, whose operating currency is RMB, is valued at US$259,465. 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 (Hong Kong) Company Limited (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 2018 (2017: Nil).

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 Monday, 27 May 2019 at 10:00 a.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.

BOARD OF DIRECTORS' STATEMENT

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 27 May 2019 ("2019 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, 20 May 2019
Record date	Tuesday, 21 May 2019
Closure of Register of Members	Tuesday, 21 May 2019 to Monday, 27 May 2019 (both dates inclusive)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2019 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 2019

Looking ahead into the year of 2019, the outcome of the trade dispute between the United States ("U.S.") and China continue to have a major role in shaping the global economy. Whether resolving their differences into a mutual benefit condition is yet to be seen. The Investment Manager believes a short-term resolution scheme is likely to achieve as both sides have high intention to balance their trades. However, the longer-term issues such as intellectual property and high-tech manufacturing capabilities require more time to negotiate. In addition, the U.S. substantial debts require the Federal Reserve Board ("Fed") to manage within a fine line, preventing inflation while maintaining economic growth. Hence, the longer the Fed keeps the interest rate at low level, the harder it will be to contain its inflation.

Given the complicated macro environments, the Investment Manager holds a conservative view on the stock market particularly in the latter half of the year. The Company will seek to investing listed companies with foreseeable growth potentials and as always, be aware of risks lying ahead.

In respect of unlisted investments, the Investment Manager will continue to monitor closely the development of GMG and strike for appropriate exit opportunity. The Company shall continue to seek investment opportunities by co-investing with other renowned funds with focus on Chinese healthcare needs, consumption and technology enhancements.

On behalf of the Board
Shanghai International Shanghai Growth Investment Limited
WANG Ching
Executive Director

Hong Kong, 18 March 2019

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)	**2018**	2017
Gross domestic product ("GDP")	**6.6**	6.9
Industrial value-added output (designated size)	**6.2**	6.6
Retail sales	**9.0**	10.2
Consumer price index ("CPI")	**2.1**	1.6
Fixed asset investments ("FAI")	**5.9**	7.2
Actual foreign direct investments	**0.9**	7.9
Exports	**7.1**	10.8
Imports	**12.9**	18.7
Trade surplus (US$ billion)	**351.8**	441.1
Foreign exchange reserve (US$ billion)	**3,072.7**	3,139.9

(Source: Published information)

In 2018, China economy grew moderately and was undergoing an increasingly downward pressure. Full year GDP increased 6.6% year-on-year, which was 0.3% lower than in 2017. Such growth was still relatively high comparing around the globe, and achieved the growth target with "around 6.5%" set by the State Council of China at the beginning of 2018.

In reviewing the whole year, global economy grew slowly. The intensified Sino-U.S. trade dispute pushed up trading costs, weakened business confidence, putting weight on financial markets and jeopardised China economic growth. In addition, with the backdrop of China government strictly controlling the risk of municipal debts and implementing more stringent scrutiny on the investment of unstandardised assets among banks, the shadow banks set to collapse gradually, together with real estate investments decline, attributed less growth to the economy.

Looking at the manufacturing data, the average manufacturing Purchasing Manager's Index ("PMI") in 2018 was 50.9. Although manufacturing continued to grow on an annual basis, the momentum has been compromised.

Given China economic development is undergoing a structural change and industrial upgrade, the medium-to-high end manufacturing industries and high-end service industries will continue to have robust growth. Meanwhile, as the industrial structure being adjusted and optimised, the proportion of the service industry in the economy will further increase, thereby enhancing the quality of economic development.

Looking forward to 2019, given the risk of rising trade protectionism, tightening global liquidity, potential currency crisis among emerging markets and the geopolitical risks within Asia, the global economy is very much likely to remain weak. China economy is expected to grow slowly in 2019, but should maintain to between 6%-6.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW *(Cont'd)*

Global Economy

The year of 2018, was the tenth year of financial crisis. Constrained by Sino-U.S. trade war and dramatic depreciation of Emerging Markets' currencies, the global economy, though continued to grow, but at a slower pace. Pursuant to the guidance of International Monetary Fund ("IMF"), global economy is expected to grow at 3.7% in 2018, down 0.1% over the year of 2017. The employment rate in the U.S. has been improving and the Fed has raised interest rate several times, prompting the US Dollar Index to climb up 4.13%, a strong performance for the whole year.

Economic growth in the Euro-zone remained stagnant, which was largely attributed to the unresolved Brexit agreement, the budget issue in Italy and the political turmoil of German and France. Another developed country, Japan, also suffered economic slowdown as several natural disasters were brought upon her during the third quarter. In fact, Japan economic growth dropped the most among the developed countries. Elsewhere in the world, the emerging market economies especially China, India and South-east Asia countries, were the main drivers of global economic growth. India, which is expected to be the fastest economic growth for the globe given its acceleration of fixed asset investment and robust personal spending.

With respect of global stock market, the performance of most countries trended downward. Compared to same period in 2017, among which the U.S. S&P 500 Index declined 6.24%, the UK FTSE 100 Index declined 12.48%, and Japanese Nikkei 225 declined 12.08%. As for the emerging market economy, Chinese stock market recorded the worst performance, SHCOMP Index dropped 24.59% while the Russia RTS Index was relatively stable by tanking only 2.26%. On the contrary, Brazil IBOVESPA Index rose 15.20%.

Relevant stock markets' performance in 2018

Indices	**31 December 2018**	31 December 2017	Change
Hang Seng Index	**25,845.70**	29,919.15	–13.61%
Hang Seng China Enterprises Index	**10,124.75**	11,709.30	–13.53%
Hang Seng China-Affiliated Corporations Index	**4,169.04**	4,426.25	–5.81%
Shanghai SE Composite Index	**2,493.90**	3,307.17	–24.59%
Shenzhen SE Composite Index	**1,267.87**	1,899.34	–33.25%
Taiwan Exchange Index	**9,727.41**	10,642.86	–8.60%
Dow Jones Industrial Average Index	**23,327.46**	24,719.22	–5.63%
Standard and Poor's 500 Index	**2,506.85**	2,673.61	–6.24%
NASDAQ Composite Index	**6,635.28**	6,903.39	–3.88%

Portfolio Allocation

	31 December 2018	31 December 2017
Listed investments	**11%**	17%
Unlisted investments	**6%**	34%
Cash and cash equivalents	**83%**	49%
Total	**100%**	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

Hong Kong Stock Market

The investment market for 2018 proved to be a difficult year with the Hang Seng Index ("HSI") reached its year-high in January and subsequently started tanking for the next several months. The trigger was obviously the Sino-U.S. trade tensions which spooked the market with concerns that a full-scale trade war will put the world economy into recession.

The sell-off in the stock market was significantly accelerated in June as the U.S. decided to impose 25% on US$50 billion China imports and threatened more would come if China did not compromise. Tension continued into the third quarter and the Fed raising interest rate only exacerbated the worsening market sentiment. In addition, a further 10% tariff on US$200 billion worth of Chinese imports were also implemented in late September. Hence, the HSI continued to fell and not until near the end of October that the market found its bottom at around 24,540. At this point, the market has dropped 5,378 points or 18%.

From November, there were signs that China and the US reopened their trade negotiations and subsequently reached an agreement of "not imposing further tariffs" on more imports. The Fed also indicated the flexibility of raising interest rate, implying a slower pace will be adopted. China also expressed it has the ability and determination to sustain China economic growth by injecting more liquidity into the domestic market. The HSI rebounded towards the end of the year by as much as 5% from the low in October. For the year of 2018, the HSI fell 13.6%, the lowest return since 2011.

The return of the Company's listed investments portfolio for the year was -2.3%, outperforming the HSI by over 11%. Such result was mainly due to Investment Manager's timely asset allocation whereby defensive stocks were once the Company's largest investment position. And the success in capturing the market rebound by including several growth stocks into the portfolio at bargaining prices. In fact, these growth stocks contributed nearly 4% return into the portfolio from the low in October.

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW *(Cont'd)*

Listed Investments Portfolio

As at 31 December 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$
Listed on Hong Kong Stock Exchange							
HSBC Holdings PLC	Banking & financial services	15,200	0.00007	146,560	125,763	2.99	9,860
Tencent Holdings Limited	E-Commerce & internet services	2,000	0.00002	74,499	80,185	1.91	572
ANTA Sports Products Limited	Apparel	25,000	0.00093	104,899	119,862	2.85	–
China Gas Holdings Limited	Gas distribution	16,000	0.00032	53,287	56,998	1.35	–
China Tower Corporation Limited	Satellite & wireless communication	400,000	0.00086	66,700	75,588	1.80	–
Other listed securities				–	–	–	17,026
Total investment in listed securities				445,945	458,396	10.90	27,458

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW *(Cont'd)*

Listed Investments 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$
Listed on Hong Kong Stock Exchange							
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

In the year of 2018, China economy grew slowly and the financial cost of small-medium enterprise ("SME") was still at high-level, which make the SME trapped into a difficult situation. China host a private economy forum on 1 November 2018, Mr. Xijinping, China's president, stated government would support the development of private economy. However, given the overall economic environment are becoming cold, the prospectus of private economy is still vague. The Investment Manager studied several new potential projects during 2018, however, no new investments were consummated in view of the Company's limited cash resources.

Unlisted Investments Portfolio

As at 31 December 2018

Invested project	**Nature of business**	**% of equity interest %**	**Amount invested at cost US$**	**Fair value changes US$**	**Fair value of investment at 31 December 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**	**(5,587,993)**	**259,465**	**6.17**	**–**	**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 in 2012 and delisted in September 2015 and reclassified as the Company's unlisted securities investment.

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 has vigorously developed new cross-border E-commerce businesses since 2016 and corresponding cross-border E-commerce platform has been established officially in the first half of 2018.

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. GMG's main operating subsidiary had been once listed on the New Third Board in mainland China in 2016 but has subsequently delisted in May 2017 due to insufficient fund-raising capability.

As at 31 December 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 for 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 severe decrease in revenue from its B2B business, existence of material contingent redeemable non-controlling interests and GMG's new business is still in a premature state. The fair value of the Company's holding in GMG as at 31 December 2018 was re-assessed at US$259,465. This resulted in a significant drop of US$2,058,536 in fair value as compared to that as at the end of 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Ching

Executive Director
Member of Remuneration Committee

Aged 63, was appointed as an Executive Director of the Company and an executive director of the Investment Manager in July 2007. Dr. Wang is currently registered as one of the responsible officers of the Investment Manager with the Securities and Futures Commission ("SFC"). 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 has over 20 years' managerial experience in investment and commercial banking and fund management in the Unites States, Taiwan, Hong Kong and the PRC, with a wealth of experience in the securities and venture capital industries. Prior to joining the Company, Dr. Wang 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. 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

Executive Director
Member of Remuneration Committee

Aged 45, 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 June 2016. From 1996 to 2004, he had held senior positions with foreign banking and securities institutions in the PRC. Mr. Wu has over 17 years' managerial experience in banking, securities and trust investment sectors in the PRC.

Mr. Wu obtained an MBA degree in Finance from Shanghai Jiao Tong University in 2002 and currently is a CFA charter holder. He also qualified as a PRC lawyer in 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS

FENG Huang

Non-executive Director

Aged 48, was 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 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, a director of SIIC Financial Services Holdings Ltd. since February 2015, a director of Shanghai Investment Asset Operation Co., Ltd. since December 2015 and a director of SIIC Shanghai Venture Capital Co., Ltd. since October 2018.

LU Xuefang

Non-executive Director

Aged 54, was appointed a Non-executive Director of the Company on 18 March 2019. Mr. Lu has been the director and chairman of the Investment Manager since 20 August 2018. He has been a member of the investment committee of the Company since November 2018. Since August 2018, he has been a director and the president of SIIC Investment Company Limited, the holding company of the Investment Manager and a wholly-owned subsidiary of SIIC (SIIC, together with its subsidiaries, the "SIIC Group") which became a substantial shareholder of the Company since December 2015.

Mr. Lu has over 23 years' experience in the fields of asset management, corporate and financial management, real estate and financial investment as well as capital markets operations. Mr. Lu joined the SIIC Group in 1996 and has since held various positions in operating subsidiaries of the SIIC Group, including the head of investment department of SIIC Real Estate Holdings (Shanghai) Co., Ltd. (上實置業集團（上海）有限公司) from 1996 to 2000, the manager of financial investment department of Shanghai Cyber Galaxy Investment Co., Ltd. (上海星河數碼投資有限公司) from 2000 to 2006, the assistant general manager of finance and planning department of SIIC from 2006 to 2009 and the deputy general manager of Shanghai Cyber Galaxy Investment Co., Ltd (上海星河數碼投資有限公司) from 2009 to 2018. Further, Mr. Lu currently serves as a director in various private companies (including subsidiaries and affiliates of the SIIC Group) engaging in financial investment, property investment and management, consulting and hotel operations.

Mr. Lu graduated from Fudan University with a Bachelor's degree in International Politics in 1987 and a Master's degree in World Economics in 1995. He was a teaching assistant and a lecturer in the faculty of humanities and social science of the Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University (上海醫科大學)) over the period from 1987 to 1995 and a financial analyst in China Worldbest Group Co., Ltd. (中國華源集團有限公司) from 1995 to 1996.

BIOGRAPHICAL DETAILS OF DIRECTORS

NI Jianwei

Non-executive Director

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. Mr. Ni is registered as one of the licenced responsible officers and was appointed Managing Director of the Investment Manager on 20 December 2016. Mr. Ni was a director and vice president of SIIC Investment Company Limited from 2011 to 2018, 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 is currently a director of Shanghai Capital Management Co., Ltd., a company under SIIC Group. He has over 20 years' experience in corporate management, investment banking and capital markets operation.

HUA Min

Independent Non-executive Director
Chairman of Nomination Committee, Member of Audit Committee and Remuneration Committee

Aged 68, has been an Independent Non-executive Director of the Company since September 2004 and Chairman of the Nomination Committee. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

ONG Ka Thai

Independent Non-executive Director
Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee

Aged 64, has been an Independent Non-executive Director of the Company since June 1997 and Chairman of the Remuneration Committee. 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 major 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 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 42 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

Independent Non-executive Director
Chairman of Audit Committee, Member of Nomination Committee and Remuneration Committee

Aged 60, has been an Independent Non-executive Director of the Company since July 1999 and Chairman of the Audit Committee. 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 36 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

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 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 the independent non-executive directors without the presence of other directors.

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.

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.

CORPORATE GOVERNANCE REPORT

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 40 to 42 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.

All Directors commit to devote sufficient time and attention to the Company's affairs. Each 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.

Composition

On 18 March 2019, Mr. LU Xuefang was appointed as Non-executive Director of the Board. Mr. LU is currently the director and chairman of the Company's Investment Manager, a director and the 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.

Following the addition of Mr. LU Xuefang to the Board, the Board currently comprises eight Directors of whom two are Executive Directors, three 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 12 to 15 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.

The Board believes that the balance between Executive Directors and Non-executive Directors (including INEDs) is reasonable and adequate to safeguard the interests of the Company and its Shareholders. Non-executive Directors (including INEDs) provide the Company with diversified expertise and experience. Their participation in Board and/or Board committee meetings bring an independent judgement and advice on various aspects, including the Company's goals and objectives, strategies, policies, performance, accountability, potential conflicts of interests and other management process.

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 of the Company do not have a specific term of appointment and are not entitled to any form of remuneration. All INEDs are engaged for a term of three years and each of them are remunerated at HK$120,000 per annum. All Directors (including those appointed for a specific term) are subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Board Diversity

The Board adopted a board diversity policy ("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.

Director Nomination Policy

In December 2018, the Board adopted a director nomination policy ("Director Nomination Policy"), which took effect on 1 January 2019, setting out the criteria and process in the nomination and appointment of Directors of the Company; ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and ensuring the Board continuity and appropriate leadership at Board level.

The Board has delegated its responsibilities and authority for selection and appointment of Directors of the Company to the Nomination Committee. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the entire Board has the ultimate responsibility for selection and appointment of the Directors of the Company.

The Director Nomination Policy sets out the criteria in evaluation and selection of any candidate for directorship of the Company, including but not limited to, his/her character and integrity, qualifications, experience, diversity aspects under the Board Diversity Policy, potential contributions to the Board, willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board Committee(s), and in the nomination of Independence Non-executive Director, meeting the independence requirements with reference to the guidelines set out in the Listing Rules.

In addition, the nomination processes with regard to the appointment of new Director and the re-election of Director at the general meeting of the Company are set out in the Director Nomination Policy. Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, relevant information of the candidate will be disclosed in the circular to the shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will conduct regular review of the Director Nomination Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Independent Non-executive Directors

During the year ended 31 December 2018, 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.

Mr. WU Bin, Dr. HUA Min and Mr. YICK Wing Fat Simon will retire by rotation at the 2019 AGM, and being eligible, offer themselves for re-election at the 2019 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

In addition, in accordance with Article 93 of the Company's Articles of Association, Mr. LU Xuefang who was appointed by the Board as of the date of this report, will retire and, being eligible, offer himself for re-election at the 2019 AGM.

Dr. HUA Min and Mr. YICK Wing Fat Simon, the retiring Directors, have served as the INEDs for more than 9 years. During their years of appointment, they have demonstrated their abilities to provide an independent view on the Company's matters. Notwithstanding their years of service as INEDs, the Board is of the opinion that Dr. HUA and Mr. YICK'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 them for re-election at the 2019 AGM. In accordance with the CG Code, the re-election of Dr. HUA and Mr. YICK will be subject to separate resolutions to be approved at the 2019 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. Minutes of each Board/Board committee meeting are sent to all Directors/respective Board committee members for their comments and records within a reasonable time. The Company also keeps detailed minutes of each Board/Board committee meeting, which are available for inspection by all Directors.

The Board held 4 Board meetings during the year ended 31 December 2018. 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. The Board had also approved certain matters by way of passing written resolutions during the year. 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	4/4	Mr. YICK Wing Fat Simon	4/4
Mr. WU Bin	4/4	Mr. NI Jianwei	4/4
Dr. HUA Min	4/4	Mr. FENG Huang	4/4
Mr. ONG Ka Thai	4/4	Mr. LU Xuefang*	N/A

* *Appointed as Non-executive Director on 18 March 2019*

As at 31 December 2018, certain Directors of the Company, namely Dr. WANG Ching, Mr. WU Bin, Mr. LU Xuefang (appointed as Non-executive Director on 18 March 2019) and Mr. NI Jianwei are also directors of the Company's Investment Manager. Mr. FENG Huang is a director and Mr. LU Xuefang (appointed as Non-executive Director on 18 March 2019) is a director and the president 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 43 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 2018. 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. In December 2018, the amended terms of reference of the Audit Committee and the Nomination Committee (effective on 1 January 2019) were adopted by the Board to ensure compliance with the amended CG Code, which was effective from 1 January 2019. The terms of reference of all Board committees are published on the websites of the Company and HKEX and are available to the Shareholders upon request. Apart from Board committee meetings, committee members may approve various matters by way of passing written resolutions. 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 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)*

Three meetings were held during the year ended 31 December 2018. The external auditor attended two meetings. Attendance of Audit Committee members at such meetings was:

Name of Director	Attendance
Mr. YICK Wing Fat Simon *(Chairman)*	3/3
Dr. HUA Min	3/3
Mr. ONG Ka Thai	3/3

During the year, the Audit Committee reviewed the interim and annual results and reports (including the financial statements) of the Company. It also reviewed the accounting principles and policies adopted by the Company, the continuing connected transactions conducted by the Company and the existing terms of reference of the Audit Committee. In addition, it discussed with the Investment Manager on internal audit results, risk management and 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.

Up to the date of this report, the Audit Committee has reviewed the annual results for the year ended 31 December 2018.

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 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 held one meeting during the year ended 31 December 2018. Attendance of Remuneration Committee member at such meeting was:

Name of Director	Attendance	Name of Director	Attendance
Mr. ONG Ka Thai *(Chairman)*	1/1	Dr. WANG Ching	1/1
Mr. YICK Wing Fat Simon	1/1	Mr. WU Bin	1/1
Dr. HUA Min	1/1		

During the year, the Remuneration Committee reviewed current remuneration policies of the Company for its staff and of its Directors by reference to market comparables.

Up to the date of this report, the Remuneration Committee has reviewed the director's remuneration (if any) for the proposed appointment of Mr. LU Xuefang as Non-executive Director and has made recommendation for the Board.

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, which have been revised in accordance with the CG Code and adopted by the Board are available on the websites of the Company and 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 and nominate suitably qualified individuals for appointment as additional Directors or fill Board vacancies as and when they arise, in accordance with the Director Nomination Policy of the Company.

(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 and the Director Nomination Policy.

The Nomination Committee held one meeting during the year ended 31 December 2018. Attendance of Nomination Committee member as such meeting was:

Name of Director	**Attendance**
Dr. HUA Min *(Chairman)*	1/1
Mr. ONG Ka Thai	1/1
Mr. YICK Wing Fat Simon	1/1

During the year, the Nomination Committee reviewed current Board structure, size and composition, the independence of the INEDs, considered the qualifications the retiring Directors standing for election at the annual general meeting, formulated the Director Nomination Policy and revised its terms of reference.

Up to the date of this report, the Nomination Committee has reviewed and considered the proposed appointment of Mr. LU Xuefang as Non-executive Director and has recommended to the Board for such appointment.

CORPORATE GOVERNANCE REPORT

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.

Shareholders' Communication Policy

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.

Dividends Policy

The Company has set out a dividends policy which aims at achieving a balance of stability, continuity and available resources for future investments. Dividends distribution will be considered with focuses on reasonable return from investments and sufficient cash to meet future expenses and obligations. Dividends may be distributed by way of cash and/or shares. They are the profits from the realization of listed and unlisted investments, cash income earned as dividends and interest from underlying investments net of fees and costs and provisional operating expenses of the Company. Pursuant to the Company's Articles of Association, profits arising from the revaluation of investments may not be available for distribution unless it is resolved by the Board. Special dividends may be paid out of share premium account subject to special circumstances and the Board's approval.

Annual General Meeting ("AGM")

The Company's 2018 AGM was held on 29 May 2018. 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. The procedures for conducting a poll were also explained prior to the poll being taken. All resolutions put to the Shareholders at the 2018 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 HKEX. Executive Directors as well as respective Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and the Company's external auditor attended the 2018 AGM to answer questions (if necessary).

CORPORATE GOVERNANCE REPORT

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

Annual General Meeting ("AGM") (Cont'd)

Attendance of Directors at the 2018 AGM was:

Directors	**Attendance at 2018 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	✓
Mr. LU Xuefang*	N/A

* *Appointed as Non-executive Director on 18 March 2019*

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

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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Cont'd)*

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 2018. The Company's constitutional documents are available on the websites of the Company and 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.

During the year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and professional staff, 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.

COMPLIANCE WITH THE MODEL CODE FOR 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 2018, 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, news releases and online training 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 2018 is summarised below:

Directors	Reading regulatory updates or other relevant reference material	Attending in-house or external seminars/ conferences or online training
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	✓	✓
Mr. LU Xuefang*	N/A	N/A

* *A tailored induction training conducted by the external lawyer has been provided to Mr. LU Xuefang, at the Company's expense, prior to his appointment as Non-executive Director effective on 18 March 2019.*

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

Ms. NG Yin Yuet Jenny has been appointed the Company Secretary since 5 January 2018. As Company Secretary, Ms. NG supports the Board in ensuring Board procedures are followed and Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully apprised of relevant legislative, regulatory and corporate governance developments and for facilitating the induction and continuing professional development of Directors.

The appointment and dismissal of the Company Secretary are subject to Board approval in accordance with the Company's Articles of Association. Whilst the Company Secretary reports to Dr. WANG Ching, Executive Director of the Board, Directors have access to 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

During the year, the Company has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described as below:

Risk Management System

The Company adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- *Evaluation:* Analyze the possibility of occurrence of a risk event and assess the impact of risks and evaluate the risk portfolio accordingly.
- *Management:* Consider risk responses, risk management procedures and implementation effectiveness, and to ensure effective communication to the Board the on-going risk monitoring and assessment.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

Risk Management System (Cont'd)

Based on the risk assessments conducted in 2018, the details of significant risk and the relevant risk response are highlighted as follow:

Business Risk

The Company is principally engaged in making investments in operating companies established or having significant operations in the PRC, both listed and unlisted. Market prices of listed securities and fair value of the unlisted investment are significantly affected by global economy and Chinese government policies, and performance of the operating companies. The intensified Sino-U.S. trade dispute in 2018 pushed up trading costs, weakened business confidence, putting weight on financial markets and jeopardised China economic growth. Besides, the deteriorating operation of the Company's unlisted investment has resulted in a significant drop in valuation. All these factors have direct impacts on the securities price and return of investment.

Risk response

The Investment Manager established an investment committee ("Committee") to monitor the investment activities. The Committee recommended investment decisions at its weekly meeting, or when necessary, in view of the changing global and local stock market, political issues and government policies. Daily investment portfolio was prepared and distributed to members of Committee for review, with alert level set for different listed securities. Besides, policies and procedures of investment management governing the securities trading activities were reviewed and updated regularly. As for unlisted investment, the Committee followed up closely with the management and performance of the investee company, valuation was prepared half-yearly using valuation techniques and reviewed by independent professionals. Price risk and valuation risk are being monitored on a continuous basis by the Investment Manager.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Company.
- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Company's objectives, forming a basis for determining how risks should be managed.
- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- *Information and Communication:* Internal and external communication to provide the Company with the information needed to carry out day-to-day controls.
- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

Internal Control System (Cont'd)

To enhance the Company's system in handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- Confidentiality agreements are in place when the Company enters into significant negotiations.
- Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.
- Until an announcement is made, the Company's Directors and management must ensure that all information is kept strictly confidential. Where the Company believes that the necessary degree of confidentiality cannot be maintained or the confidentiality may have been breached, an announcement will be made as soon as practicable.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

Internal Auditors

The Company engages a professional consultancy firm consisting a number of professional consultants with relevant expertise (such as Certified Public Accountant) to carry out Internal Audit ("IA") function. The IA function is independent of the Company's daily operation which carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Company and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Company's ability to respond to changes in its business and the external environment, (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and (iii) the new disclosure requirements under CG Code.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

CORPORATE GOVERNANCE REPORT

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.

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 45 to 48.

For the year ended 31 December 2018, services provided to the Company by its external auditor and the respective fees paid were:

	2018 US$
Audit services	47,604
Taxation compliance and other services	14,454
	62,058

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 2018 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 2018 to 31 December 2018. 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 results[1] are summarised as follows:

	2018	2017
Electricity Consumed (kWh)[2]	**5,943**	3,241
Paper Used (kg)	**36.8**	35

	2018	2017
Scope 1 GHG Emissions[3] (kg CO_2e)	**0**	0
Scope 2 GHG Emissions[4] (kg CO_2e)[5]	**4,694**	2,560
Scope 3 GHG Emissions[6] (kg CO_2e)	**177**	168
Total GHG Emissions (kg CO_2e)	**4,871**	2,728

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 2/7 or 0.286 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 year, the staff of the Company participated in more than 30 hours of training (in aggregate) 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 year, 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 year, 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.

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. During the year, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2018.

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 11 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 2018 and the Company's financial position at that date are set out in the financial statements on pages 49 to 91.

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 92. 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 2018, 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$3,138,760.

DIRECTORS' REPORT

DIRECTORS

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

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. LU Xuefang *(appointed on 18 March 2019)*
Mr. NI Jianwei

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

Mr. WU Bin, Dr. HUA Min and Mr. YICK Wing Fat Simon will retire by rotation at the 2019 AGM, and being eligible, offer themselves for re-election at the 2019 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

In addition, in accordance with Article 93 of the Company's Articles of Association, Mr. LU Xuefang who was appointed by the Board as of the date of this report, will retire and, being eligible, offer himself for re-election at the 2019 AGM. All other remaining Directors continue in office.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from all INEDs, namely 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 12 to 15 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 2018 Interim Report or the publication of the latest biographical details of the Directors in the Company's 2017 Annual Report are set out below:

Names of Directors	Changes
Mr. FENG Huang	• Appointed as a director of SIIC Shanghai Venture Capital Co., Ltd. since October 2018
Mr. NI Jianwei	• Appointed as a director of Shanghai Capital Management Co., Ltd. in August 2018
	• Resigned as a director and vice president of SIIC Investment Company Limited in August 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 Code Provision D.1.4 of CG Code, 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 of Association.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association 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 2018. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company.

DIRECTORS' REMUNERATION

Directors' remuneration are subject to Shareholders' approval at general meeting, which are determined by the Company's Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Company.

DIRECTORS' REPORT

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).

(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 Incentive Fee = 20% x (2017 NAV – 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.

DIRECTORS' REPORT

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

(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.

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 2018, investment management and administration fees of US$119,511 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.

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 (Cont'd)

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 2018, Dr. WANG Ching, Mr. WU Bin, Mr. LU Xuefang (appointed as the Company's Non-executive Director on 18 March 2019) and Mr. NI Jianwei are also directors of the Investment Manager.

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 2018.

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 2018, 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)*
Rosebrook Opportunities Fund LP	Investment manager	1,216,701	11.39%	

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.

Save as disclosed above, as at 31 December 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.

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.

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.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

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
Shanghai International Shanghai Growth Investment Limited
WANG Ching
Executive Director

Hong Kong, 18 March 2019

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 49 to 91, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 2018. 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 6% 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 enterprise value to sales ratios and discounts for lack of marketability. As at 31 December 2018, 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 2018, 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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 HKSAs 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 HKSAs, 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Cont'd)*

- 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.

- 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 Hui Wing Yee.

Ernst & Young
Certified Public Accountants
Hong Kong

18 Mach 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 US$	2017 US$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income		**2,586**	393
Dividend income		**27,458**	39,759
Net change in unrealised loss on financial assets at fair value through profit or loss	*6*	**(2,046,085)**	(1,010,576)
Net loss on disposal of financial assets at fair value through profit or loss	*6*	**(87,035)**	–
Net gain on disposal of available-for-sale investments		**–**	187,197
		(2,103,076)	(783,227)
EXPENSES			
Investment manager's fees	*17(a)*	**(119,511)**	(157,540)
Administrative expenses		**(457,260)**	(471,175)
Exchange loss		**(4,286)**	(10,096)
		(581,057)	(638,811)
Loss before tax	*5*	**(2,684,133)**	(1,422,038)
Income tax	*8*	**–**	–
LOSS FOR THE YEAR		**(2,684,133)**	(1,422,038)
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
Reclassification adjustments for gain included in profit or loss – gain on disposal		**–**	(187,197)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	130,818
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,684,133)**	(1,291,220)
LOSS PER SHARE – BASIC AND DILUTED	*10*	**(US25.12 cents)**	(US13.31 cents)

STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 US$	2017 US$
NON-CURRENT ASSETS			
Available-for-sale investments	11	–	1,201,459
Financial assets at fair value through profit or loss	12	717,861	2,318,001
Total non-current assets		717,861	3,519,460
CURRENT ASSETS			
Prepayments and other receivables	13	90,059	104,190
Cash and bank balances	14	3,485,906	3,594,022
Total current assets		3,575,965	3,698,212
CURRENT LIABILITIES			
Payable and accruals		45,307	293,804
Amount due to the investment manager	17(b)	41,159	32,375
Total current liabilities		86,466	326,179
NET CURRENT ASSETS		3,489,499	3,372,033
NET ASSETS		4,207,360	6,891,493
EQUITY			
Share capital	15	1,068,600	1,068,600
Reserves		3,138,760	5,822,893
Total equity		4,207,360	6,891,493
NET ASSET VALUE PER SHARE	16	0.39	0.64

WANG Ching
Director

WU Bin
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	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 31 December 2017		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 year:		–	–	–	–	(2,684,133)	–	(2,684,133)
Transfer from accumulated losses *(Note b)*:								
Net change in unrealised loss on financial assets at fair value through profit or loss	6	–	–	–	(2,046,085)	2,046,085	–	–
At 31 December 2018		1,068,600	12,921,815*	–	(5,575,542)*	(4,207,513)*	–	4,207,360

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	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 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 loss on change in fair value of available-for-sale investments, net of tax *(Note a)*		–	–	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 *(Note b)*:								
Net change in unrealised loss on 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

* These reserve accounts comprise the reserves of US$3,138,760 (2017: US$5,822,893) 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 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 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 2018, 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 2018

	Note	2018 US$	2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,684,133)**	(1,422,038)
Adjustments for:			
Interest income		**(2,586)**	(393)
Dividend income		**(27,458)**	(39,759)
Net gain on disposal of available-for-sale investments		**–**	(187,197)
Net loss on disposal of financial assets at fair value through profit or loss		**87,035**	–
Net change in unrealised loss on financial assets at fair value through profit or loss		**2,046,085**	1,010,576
Operating cash flows before movements in working capital		**(581,057)**	(638,811)
Proceeds from disposal of available-for-sale investments		**–**	4,890,300
Purchase of available-for-sale investments		**–**	(4,783,739)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,475,118**	–
Purchase of financial assets at fair value through profit or loss		**(1,806,639)**	–
Decrease in prepayments and other receivables		**14,131**	493
(Decrease)/increase in accruals		**(248,497)**	245,115
Increase in an amount due to investment manager		**8,784**	11,871
Cash used in operations		**(138,160)**	(274,771)
Interest received		**2,586**	393
Dividend received		**27,458**	39,759
Net cash generated used in operating activities		**(108,116)**	(234,619)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(108,116)**	(234,619)
Cash and cash equivalents at beginning of year		**3,594,022**	3,828,641
CASH AND CASH EQUIVALENTS AT END OF YEAR	*14*	**3,485,906**	3,594,022

NOTES TO FINANCIAL STATEMENTS

31 December 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.

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 applied, for the first time, certain standards, which are effective for annual periods beginning on or after 1 January 2018.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

The nature and the impact of each new standard 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

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.

The Company adopted HKFRS 15 on its effective date of 1 January 2018. HKFRS 15 replaces HKAS 18 *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from HKAS 18 to HKFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting HKFRS 15 for the Company.

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 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements *2015–2017 Cycle*	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

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

2 Effective for annual periods beginning on or after 1 January 2020

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

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs and the expected impact on the Company are 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments will have no impact in the Company's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

HKFRS 16 was issued in January 2016 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under HKAS 17. Lessor accounting is substantially unchanged from today's accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under HKAS 17. HKFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The Company has no activity as a lessee and expects the impact of adopting this standard to be minimal.

HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, HKFRS 17 will replace the existing HKFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

HKFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies HKFRS 9 and HKFRS 15 on or before the date it first applies HKFRS 17. The standard is not expected to have any impact on the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

Annual Improvements to HKFRSs 2015–2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. The Company expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Company. Details of the amendments are as follows:

- HKFRS 3 *Business Combinations:* Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

- HKFRS 11 *Joint Arrangements:* Clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

- HKAS 12 *Income Taxes:* Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends.

- HKAS 23 *Borrowing Costs:* Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 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 2018

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 2018

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Cont'd)

Subsequent measurement *(Cont'd)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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 2018

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

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (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 other income and gains 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.

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 2018

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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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 pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards 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 (policies under HKFRS 9 applicable from 1 January 2018)

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-month (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (Cont'd)

General approach *(Cont'd)*

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment exists in 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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (Cont'd)

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.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

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

Subsequent measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 has a short maturity of generally within three months when acquired, and forms an integral part of the Company's cash management.

Fees and commission

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

Income tax

The Cayman Islands

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

Hong Kong

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Income tax (Cont'd)

Hong Kong *(Cont'd)*

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

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.

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).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Foreign currencies (Cont'd)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Going concern

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

Estimation uncertainty

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

Fair value of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Estimation uncertainty (Cont'd)

Fair value of financial instruments *(Cont'd)*

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 19 to the financial statements. The valuation requires the Company to determine the comparable public companies (peers) and select the price multiple. In addition, the Company makes estimates about the discount for illiquidity and size differences. The Company classifies the fair value of these investments as Level 3.

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 a 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 2018

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

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

Year ended 31 December 2018	**Listed securities US$**	**Unlisted securities US$**	**Total US$**
Segment results	**(47,126)**	**(2,058,536)**	**(2,105,662)**
Interest income from bank deposits			**2,586**
Exchange loss			**(4,286)**
Unallocated expenses			**(576,771)**
Loss before tax			**(2,684,133)**

For the year ended 31 December 2018, segment results represented the net loss on disposal 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.

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)

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 2018

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

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

At 31 December 2018	**Listed securities US$**	**Unlisted securities US$**	**Total US$**
Financial assets at fair value through profit or loss	**458,396**	**259,465**	**717,861**
Total segment assets	**458,396**	**259,465**	**717,861**
Unallocated assets			**3,575,965**
Total assets			**4,293,826**

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	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, and cash and bank balances.

All liabilities as at 31 December 2018 and 31 December 2017 were unallocated liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

5. LOSS BEFORE TAX

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

	2018	2017
	US$	US$
Auditor's remuneration	**47,604**	46,465
Custodian fee	**18,308**	19,835
Staff costs (excluding directors' remuneration) *(Note)*		
Salaries and other benefits of an employee	**147,348**	95,515
Retirement benefit costs	**5,940**	3,906

Note: During the year ended 31 December 2018, five (2017: five) individuals received remuneration from the Company. Two employees' remuneration is disclosed thereon and the remuneration of three directors is disclosed in note 7 to the financial statements.

6. GAIN OR LOSS ON INVESTMENTS

At 31 December 2018	**Listed securities US$**	**Unlisted securities US$**	**Total US$**
Included in profit or loss:			
Realised loss:			
Financial assets at fair value through profit or loss	**(87,035)**	**–**	**(87,035)**
Unrealised gain/(loss):			
Financial assets at fair value through profit or loss	**12,451**	**(2,058,536)**	**(2,046,085)**
Total realised and unrealised loss included in profit or loss	**(74,584)**	**(2,058,536)**	**(2,133,120)**
Total realised and unrealised loss for the year	**(74,584)**	**(2,058,536)**	**(2,133,120)**

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

At 31 December 2017	Listed securities US$	Unlisted securities US$	Total US$
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
Total realised and unrealised gain/(loss) for the year	318,015	(1,010,576)	(692,561)

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:

	2018 US$	2017 US$
Fees:		
Dr. HUA Min	**15,327**	15,364
Mr. ONG Ka Thai	**15,327**	15,364
Mr. YICK Wing Fat, Simon	**15,327**	15,364
	45,981	46,092

Except for the directors' fees paid to the independent non-executive directors totalling US$45,981 (2017: US$46,092), none of the directors has received any emoluments for both years.

There were no other emoluments payable to the directors during the year (2017: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2018 (2017: 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, are as follows:

	2018		2017	
	US$	**%**	US$	%
Loss before tax	**(2,684,133)**		(1,422,038)	
Tax at the statutory tax rate	**(442,882)**	**16.5**	(234,636)	16.5
Tax losses not recognised	**63,991**	**(2.4)**	19,089	(1.4)
Income not subject to tax	**(4,957)**	**0.2**	(6,625)	0.5
Expenses not deductible for tax	**383,848**	**(14.3)**	222,172	(15.6)
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 losses from previous years of assessment in the foreseeable future.

9. DIVIDEND

No dividend has been proposed by the directors for the year ended 31 December 2018 (2017: Nil).

10. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share is based on the loss for the year of US$2,684,133 (2017: loss of US$1,422,038) and the weighted average number of ordinary shares of 10,686,000 (2017: 10,686,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts for the years ended 31 December 2018 and 2017 in respect of dilution as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

11. AVAILABLE-FOR-SALE INVESTMENTS

	2018 US$	2017 US$
Non-current:		
Listed equity investments, at fair value	–	1,201,459

The Company's investments in listed equity securities are held for the long term. Fair values of the investments in listed equity securities are determined by reference to closing prices quoted in active markets.

Upon adoption of HKFRS 9, the Company has designated investments in listed securities 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 12 to the financial statements.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$	2017 US$
Non-current:		
Unlisted equity investments – Ordinary shares, at fair value		
– Global Market Group Limited ("GMG")	259,465	2,318,001
Listed equity investments, at fair value	458,396	–
Total	717,861	2,318,001

Unlisted equity investments – Ordinary shares, at fair value:

The above unlisted investments at 31 December 2018 is a total of 8,734,897 ordinary shares of GMG held by the Company (2017: 8,734,897 shares), representing 9.36% of GMG's total issued ordinary shares (2017: 9.36%).

As of 31 December 2018 and 2017, the value of GMG ordinary shares was measured using the relative valuation model.

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.

As at 31 December 2018, the net fair value loss in respect of the Company's Hong Kong listed investments recognised in profit or loss amounted to US$74,584, of which a net loss of US$87,035 was recognised upon disposal of the listed equity investments for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

13. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	US$	US$
Prepayments	38,204	39,085
Other receivables	51,855	65,105
	90,059	104,190

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

	2018	2017
	US$	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

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 2018 of US$4,207,360 (2017: US$6,891,493) and the number of ordinary shares of 10,686,000 in issue as at 31 December 2018 (2017: 10,686,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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:

	Note	**2018 US$**	2017 US$
Investment management and administration fees charged by the Investment Manager	*(i)*	**119,511**	157,540

Note:

(i) Certain directors of the investment manager, Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager"), are common directors of the Company.

In accordance with the terms of the investment management agreement and the 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 year ended 31 December 2018, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (2017: 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

31 December 2018

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:

2018

Financial assets	**Financial assets at fair value through profit or loss*** US$	**Loans and receivables** US$	**Total** US$
Financial assets at fair value through profit or loss	717,861	–	717,861
Financial assets included in prepayments and other receivables	–	51,855	51,855
Cash and bank balances	–	3,485,906	3,485,906
	717,861	3,537,761	4,255,622

* Designated as such upon initial recognition

Financial liabilities	**Financial liabilities at amortised cost** US$
Amount due to the Investment Manager	41,159

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

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 the Investment Manager	32,375

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
31 December 2018

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 value of an unlisted equity investment is based on the reference to market comparable companies. The valuation method is based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the enterprise value of other comparable companies, 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.

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

Year ended 31 December 2018:

	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	3.00X	10% increase/decrease in EV/S ratio would result in increase/decrease in fair value by US$88,506
		Revenue	US$3.70 million	10% increase/decrease in revenue would result in increase/decrease in fair value by US$88,506
		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$4,579

NOTES TO FINANCIAL STATEMENTS

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

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$9.70 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

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 2018

	Fair value measurement using			
	Quoted price in active markets (Level 1) US$	**Significant observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**	**Total US$**
Financial assets at fair value through profit or loss:				
Listed equity securities	458,396	–	–	458,396
Unlisted equity securities	–	–	259,465	259,465
Total	458,396	–	259,465	717,861

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 2017

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

During the year ended 31 December 2018, there was no transfer of fair value measurements between Level 1 and Level 2 for financial assets at fair value through profit or loss (2017: Nil). During the year ended 31 December 2017, there was no transfer of fair value measurements between Level 1 and Level 2 for available-for-sale investments.

The Company did not have any financial liabilities measured at fair value as at 31 December 2018 and 2017.

During the year, there was no transfer of fair value measurements into Level 3 for financial assets at fair value through profit or loss (2017: Nil) and the movements in fair value measurements in Level 3 are as follows:

	2018 US$	2017 US$
Financial assets at fair value through profit or loss		
At 1 January	**2,318,001**	3,328,577
Net change in unrealised loss recognised in profit or loss	**(2,058,556)**	(1,010,576)
At 31 December	**259,465**	2,318,001

During the year ended 31 December 2017, there was no transfer of fair value measurements into Level 3 for available-for-sale investments.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments include investments in listed securities, unlisted securities, 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 equity investments classified as available-for-sale equity investments (note 11), as well as financial assets at fair value through profit or loss (note 12) as at the end of the reporting period.

Financial assets at fair value through profit or loss

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

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

	31 December 2018	**High/low 2018**	31 December 2017	High/low 2017
Hong Kong – Hang Seng Index ("HSI")	**25,846**	**33,484/ 24,541**	29,919	30,003/ 22,134

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 3.38% (2017: 6.67%) 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.

During the year ended 31 December 2017, for the purpose of this analysis, for the available-for-sale equity investments, the impact was deemed to be on the available-for-sale investment revaluation reserve and no account was given for factors such as impairment which might impact on profit or loss.

As at 31 December 2018, 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 variables held constant, amounted to US$88,506 (2017: US$231,800). An equivalent decrease in share prices of comparable companies would have resulted in an equivalent, but opposite, impact.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Market risk (Cont'd)

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

	Carrying amount of equity investments US$	Increase/ decrease in profit before tax US$	Increase/ decrease in equity* US$
2018			
Listed investments in Hong Kong			
– Financial assets at fair value through profit or loss	**458,396**	**15,494**	**–**
2017			
Listed investments in Hong Kong			
– Available-for-sale investments	1,201,459	–	80,137

* Excluding accumulated losses

(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 securities and investments in listed securities are denominated in Renminbi (RMB), New Taiwan dollars ("NT$"), HK$ 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 2018, the Company was mainly exposed to fluctuations in the exchange rate of RMB (2017: 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 2018 and 2017. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Market risk (Cont'd)

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

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

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit/(loss) before tax US$	Increase/ (decrease) in equity* US$
2018			
If the US$ weakens against RMB	**5.7**	**–**	**15,646**
If the US$ strengthens against RMB	**5.7**	**–**	**(15,646)**
2017			
If the US$ weakens against RMB	6.7	–	157,212
If the US$ strengthens against RMB	6.7	–	(157,212)

* Excluding accumulated losses

(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$3,485,906 (2017: US$3,594,022).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

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 bank balances and investments placed with Standard Chartered Bank (Hong Kong) Limited, the Company's custodian, which management believes is of high credit quality.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12 month ECLs	Lifetime ECLs			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Simplified approach US$	Total US$
Financial assets included in prepayments and other receivables					
– Normal*	51,855	–	–	–	51,855
Cash and bank balance					
– Not yet past due	3,485,906	–	–	–	3,485,906
	3,537,761	–	–	–	3,537,761

* The credit quality of the financial assets included in prepayments, and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The credit risk of the Company's other financial assets, which comprise cash and bank balance and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Liquidity risk

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

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

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

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

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

	Note	**On demand US$**	**Less than 1 year US$**	**1 to 5 years US$**	**Total US$**
2018					
Financial assets at fair value through profit or loss		–	–	717,861	717,861
Financial assets included in prepayments and other receivables		51,855	–	–	51,855
Cash and bank balances	14	3,485,906	–	–	3,485,906
Total financial assets		3,537,761	–	717,861	4,255,622
Amount due to the Investment Manager		41,159	–	–	41,159
Total financial liabilities		41,159	–	–	41,159

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Liquidity risk (Cont'd)

	On demand US$	Less than 1 year US$	1 to 5 years US$	Total US$
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 bank balances	3,594,022	–	–	3,594,022
Total financial assets	3,594,022	–	3,519,460	7,113,482
Amount due to the Investment Manager	32,375	–	–	32,375
Total financial liabilities	32,375	–	–	32,375

Capital management

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

The Company actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Company's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2019.

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				
	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	**2018 US$'000**
RESULTS					
Income	3,164	79	39	227	**30**
Expenses	(965)	(3,965)	(1,553)	(1,649)	**(2,714)**
Profit/(loss) before tax	2,199	(3,886)	(1,514)	(1,422)	**(2,684)**
Tax	210	–	–	–	**–**
Profit/(loss) for the year	2,409	(3,886)	(1,514)	(1,422)	**(2,684)**
Earnings/(loss) per share (US cents)					
– Basic and diluted	27.05	(43.64)	(15.59)	(13.31)	**(25.12)**

	At 31 December				
	2014 US$'000	2015 US$'000	2016 US$'000	2017 US$'000	**2018 US$'000**
ASSETS AND LIABILITIES					
Total assets	12,801	7,884	8,252	7,218	**4,294**
Total liabilities	53	70	69	326	**86**
Net assets	12,748	7,814	8,183	6,892	**4,208**
Net asset value per share	US$1.43	US$0.88	US$0.77	US$0.64	**US$0.39**