SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

2019 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 54, 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 2019.

REVIEW OF RESULTS

The Company recorded a net loss of US$555,856 for the year ended 31 December 2019, compared with a loss of US$2,684,133 in 2018. 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 2019, 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 continued to adopt a relative valuation model to calculate the fair value of GMG by reference to comparable listed companies in Chinese E-commerce industry. Given continuous deteriorated performance from its traditional B2B business and working capital spent to promote hot-selling products which turned out to be disappointing, cash position dropped significantly, in addition to a potential liability over a redeemable non-controlling interest, GMG's fair value had been deteriorating and ended up with US$259,465 as at 31 December 2018. The continuous declining operating performance and failure of new capital raising resulted in severely poor cash level in 2019 and going concern problem. Given the risk of material potential liability over a redeemable non-controlling interest and uncertainties in prospect, full provision on this investment has been reported as at 30 June 2019. The financial position of GMG did not improve in the second half of 2019 and the risk of going concern is increasing. As a result, the Company considered appropriate that the fair value of GMG as at 31 December 2019, calculated using relative valuation model, was written down to zero level, indicating a drop of US$259,465 as compared with the fair value as at 31 December 2018. Despite a dividend income of approximately US$1.8 million was recorded in prior years, the Investment Manager would continue to push the management of GMG to strike for reasonable exit and returns.

As for Hong Kong listed investments portfolio, the Company received dividend income of US$7,811 in 2019 (2018: US$27,458) and recorded a realised gain on disposal of listed securities of US$229,875 (2018: realised loss US$87,035). The listed investments portfolio recorded a fair value gain of US$10,908 at 31 December 2019 (31 December 2018: US$12,451). The overall return of the Company's listed investments portfolio for the year was 14.18%, outperforming the Hang Seng Index which recorded a return of 9.07%.

The Company's audited net asset value ("NAV") per share as at 31 December 2019 was US$0.34, a 12.82% decrease as compared with US$0.39 at the end of 2018. 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 2019, the Company's share price was US$0.56 (2018: US$0.67), reflecting a 64.71% 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 94 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 2019. The Company's bank balances as of 31 December 2019 were US$3,419,680 (2018: US$3,485,906). No dividends were paid during the year. Apart from listed securities investments, cash were used for operating and administrative expenses.

BOARD OF DIRECTORS' STATEMENT

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2019, 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 2018: Nil).

As at 31 December 2019, 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 2019 and 31 December 2018. As at 31 December 2019, the Company's current ratio (current assets to current liabilities) was approximately 36.73 (2018: 41.36). The ratio of total liabilities to total assets of the Company was approximately 2.51% (2018: 2.01%).

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 2019, the Company's investment in one unlisted security, whose operating currency is RMB, is valued at zero. 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 2019 (2018: 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 Friday, 22 May 2020 at 10:30 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 22 May 2020 ("2020 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 Friday, 15 May 2020
Record date	Monday, 18 May 2020
Closure of Register of Members	Monday, 18 May 2020 to Friday, 22 May 2020 (both dates inclusive)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OUTLOOK FOR 2020

Looking ahead into the year of 2020, the announcement of a Phase 1 trade deal between China and the U.S. has removed the threat of more tariffs in the short term. Such outcome provided a better investment environment for the world. However, by no means this is the end of the competition between the two countries. There are still many issues such as intellectual property and high technology that require more time to negotiate, which will cause both sides to impose more unfriendly polices before compromising. Following the Brexit, the Eurozone economic activity will face a more severe downturn pressure. Other geopolitical hotspots like Hong Kong, Iran, North Korea and Venezuela are posting high volatility risks to stock markets. Given 2020 is the U.S. presidential election year, a desirable outcome would be for the U.S. to afloat its stock market. However, that will require the Federal Reserve Board to maintain a loose monetary policy, preventing a similar shot up of repo interest rate from 2% to 10% in September 2019.

Although the macro environment continues to be very problematic and the outbreak of novel coronavirus disease at end of 2019 will have significant adverse impact on Chinese economy in the first quarter of 2020, the Investment Manager holds a constructive view on the stock market because China continues to strive for a better economic structure with implementation of policies to tackle market situation which hopefully will bring significant breakthrough in 2020. The broadening of the Company's investment objectives since November 2019 allow more flexibility for investing a wider variety of investment products. Accordingly, in 2020, the Company will focus its cash resources to invest more on listed companies, hoping to deliver more investment returns to shareholders by continuing the good investment results over the last two years.

BOARD OF DIRECTORS' STATEMENT

In respect of unlisted investment, despite a full impairment on the investment in GMG, the Investment Manager will continue to monitor closely its operating status and strike for appropriate exit opportunity. The Investment Manager will also be aware of any unlisted investment opportunity given the current fund size of the Company.

On behalf of the Board
Shanghai International Shanghai Growth Investment Limited
LU Xuefang
Non-executive Director

Hong Kong, 17 March 2020

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)	**2019**	2018
Gross domestic product ("GDP")	**6.1**	6.6
Industrial value-added output (designated size)	**5.7**	6.2
Retail sales	**8.0**	9.0
Consumer price index ("CPI")	**2.9**	2.1
Fixed asset investments ("FAI")	**5.4**	5.9
Actual foreign direct investments	**5.8**	0.9
Exports	**5.0**	7.1
Imports	**1.6**	12.9
Trade surplus (US$ billion)	**421.5**	351.8
Foreign exchange reserve (US$ billion)	**3,107.9**	3,072.7

(Source: Published information)

In 2019, China economy continued to strive forward and maintained fairly stable advancement despite under a complicated condition of Sino-U.S. trade dispute. Gross Domestic Product ("GDP") recorded 6.1% growth for the year, 0.5% lower than 2018. In view of the growth rate, despite the acceleration has slowed, such rate was still the best among major economies in the globe and has also achieved its target of 6.0-6.5%.

Although GDP in the first three quarters continued to slide, the economy was stabilized coming to the fourth quarter as more growth-oriented policies were implemented. The Manufacturing Purchasing Manager's Index ("PMI") in November, a leading indicator, after returning back to above 50 after six months, has been staying above this threshold for two consecutive months. The counter-cyclical policies have shown positive impacts from all economic indicators. Consumption acted as a fundamental key factor in stabilizing growth, consumption upgrade and potential consumption capacity will continue to have good development. During the year, infrastructure investment rebounded and high technology investments continued growing rapidly. The value-added by high-technology manufacturing grew 8.4% year-on-year.

Looking forward to year 2020, after reaching the Phase 1 Sino-U.S. trade agreement, exports growth is expected, resulting a resumption of faster economic growth. Both sides are about to start the second phase of trade negotiation which will cover more areas but more difficulty in negotiation. The year 2020 is the final year of China's "13th five-year plan". Chinese economy is in its critical transitional period for economic upgrade. The present stage of insufficient market demand will last for a long time, putting pressure on economic growth. The outbreak of novel coronavirus disease in China at the end of 2019 will accelerate the adverse impact on China's GDP, nonetheless, China will continue to grow as more stimulating polices are being imposed in a long term.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW (Cont'd)

Global Economy

Constrained by Sino-U.S. trade war, the global economy growth in 2019 decelerated to lower than 2.5%, the slowest pace since the global financial crisis a decade ago, according to The World Bank. Further pressures came from country-specific weakness and tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen).

Economic growth in most developed countries remained weak as corporations were cautious on long-term spending such as machinery and equipment. Household demand for durable goods were also sluggish. Hence, European Central Bank and the US Federal Reserve have restarted their capital injection schemes and even lowering interest rate to counter the contraction. Emerging market economies were difficult. India was working its way through a bank credit crunch, while China was undergoing an upgrade in its structural economic reform when facing the challenges of higher U.S. tariffs and trade barriers.

With the help of capital easing, and the phase 1 settlement of Sino-U.S. trade negotiation, the performance of global stock markets were rather satisfactory. For the year 2019, the U.S. S&P 500 Index climbed 29%, the UK FTSE 100 Index up 12%, and Japanese Nikkei 225 rose 18%. As for the emerging market economy, Chinese stock market recorded outstanding performance, SHCOMP Index went up 22% and Indian stock market rose 14%.

Relevant Stock Markets' Performance in 2019

Indices	**31 December 2019**	31 December 2018	Change
Hang Seng Index	**28,189.75**	25,845.70	9.07%
Hang Seng China Enterprises Index	**11,168.06**	10,124.75	10.30%
Hang Seng China-Affiliated Corporations Index	**4,537.76**	4,169.04	8.84%
Shanghai SE Composite Index	**3,050.12**	2,493.90	22.30%
Shenzhen SE Composite Index	**1,722.95**	1,267.87	35.89%
Taiwan Exchange Index	**11,997.14**	9,727.41	23.33%
Dow Jones Industrial Average Index	**28,538.44**	23,327.46	22.34%
Standard and Poor's 500 Index	**3,230.78**	2,506.85	28.88%
NASDAQ Composite Index	**8,972.60**	6,635.28	35.23%

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS

Principal Investment Objective

The principal investment objective of the Company is to achieve long term capital appreciation through investing in listed and unlisted equity and debt securities as well as in other financial instruments and investment vehicles (which are established or have significant operations or businesses primarily in the Greater China Region which consists of the People's Republic of China (including Hong Kong and, the Macau Special Administration Region) and Taiwan. The Company sought Shareholders' approval in November 2019 to broaden the scope of investment such that the Company have the flexibility to invest in a wider variety of investment products.

Investment Policies and Restrictions

The Board is responsible for formulating the Company's investment strategy, policies and guidelines. Based on these, the Investment Manager is responsible for identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company. The Company will comply with investment restrictions as set out in the Listing Rules as updated from time to time, principally (i) it will not take legal or effective management control of any invested company through which it has or controls more than 30% of the voting rights; and (ii) a reasonable spread of investments will be maintained meaning that it will not invest more than 20% of the net asset value of the Company in securities issued in any one company at the time of making such investment.

INVESTMENT REVIEW

Portfolio Allocation

	31 December 2019	31 December 2018
Listed investments	**8%**	11%
Unlisted investments	**–**	6%
Cash and cash equivalents	**92%**	83%
Total	**100%**	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

Hong Kong Stock Market

The investment market for 2019 proved to be a tricky year with the Hang Seng Index ("HSI") reached its year-high of 30,178 in April and subsequently started tanking for the next several months and was extremely volatile. The trigger was obviously the Sino-U.S. trade tensions which spooked the market with concerns that a trade deal agreement cannot be reached.

From the beginning of 2019, after the lower of Chinese banks' required reserve rates by 1% in January and the positive progress in the Sino-U.S. trade negotiation in February, the HSI went up 12.4% in the first three months.

The improvement of The China PMI number and the high possibility of reaching a deal in the trade negotiation prompted HSI to climb 2.2% in April. However, all that was interrupted when the U.S. President concluded that a trade deal cannot be reached with China in early May, and the market plummeted 9.4% by the end of the month. In addition, the tension between China and the U.S. continued to worsen as a new wave of technological ban was implemented around China's tech giant, Huawei. The market rebounded in June as China and the U.S. resumed trade-talk again and ended the mid-year with HSI up 10.43%.

In August, the market plunged when the U.S. intended to impose a new 10% tariff on US$300 billion worth of Chinese imports. The rising social unrest in Hong Kong has further diminished the risk appetite in the stock market. The HSI reached its year-low of 24,899.

In October, investor sentiment improved along with the trade negotiation progress. However, the social movements in Hong Kong continued to put pressure on the market. By the end of November, the HSI was only up 1.9%, erasing most of the gain since the mid-year. In December, an agreement on reaching a Phase 1 trade deal between China and the U.S. has re-ignited the investment frenzy in the stock market, pushing the HSI up by as much as 7%. For the year 2019, the HSI went up 9.07% and the Hang Seng China Enterprise Index ("HSCEI") rose 10.30%.

The return of the Company's listed investments portfolio for the year 2019 was 14.18%, outperforming the HSI and HSCEI by 5.11% and 3.88% respectively. This was the second yearly streak in outperforming the benchmark indexes. Apart from using traditional portfolio management strategies like choosing good value and growth stocks for the portfolio, the major characteristics of the Investment Manager is to focus on allocating the right proportion and nature of stocks along the different cycle of the market throughout the year. This strategy continues to work well under a volatile market, which is the general condition of stock market mostly like over the years.

In the beginning of January 2019, the Investment Manager, contrary to the mainstream opinions, expected the market to rise in the first half and drop in the second half of the year. There were three reasons: 1) the Sino-U.S. trade negotiation is difficult to compromise for the long term but is feasible when exchanging some mutual benefits for the short term. Hence, any stimulus economic policy would quickly reflect on share prices as a way of fulfilling future expectation; 2) the U.S. Federal Reserve cannot expand its already highly-inflated balance sheet permanently; and 3) the interim results would reveal many companies' challenging environment.

Taking into consideration of the above three reasons, the market was likely to induce massive market volatility and uncertainties. Hence, the average proportion of stocks allocation throughout the year was not high. However, the stock allocations were made at its highest in three separate point in time, namely late January, June and the latter half of September, which have successfully captured the relatively attractive market level in order to ride on the upturn afterwards. Also, to mitigate the overseas' instability, the nature of stocks was chosen based on industries that are more dependent on domestic consumption and driven by the domestic demand such as property management and infrastructure-related machinery. Companies that are beneficiaries and gain the government support like the 5G telecom development and the opening of financial market were selected in the Company's portfolio.

There were six stocks that have the best double-digits percentage returns in the Company's portfolio and their market captialisation were more than HK$5 billion. These were stocks that generated alpha in the portfolio and attributed to the outperformance. There were, however, two stocks that had double-digits losing percentage that were cut out before approaching the Company's cut-loss mechanism. The lessons were misjudgment on management execution ability and industry cycle of that related stocks.

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Investments Portfolio

As at 31 December 2019

Listed securities	Nature of business	Number of shares held	% held of total issued shares	Cost	Market value	% of net asset value	Dividend received
			%	US$	US$	%	US$
Listed on Hong Kong Stock Exchange							
A-Living Services Co., Ltd.	Property Management	15,000	0.0002	29,649	51,788	1.42	–
CLP Holdings Limited	Electricity Supply	12,000	0.00047	128,505	126,139	3.45	969
China Tower Corporation Limited	Satellite & wireless communication	500,000	0.00107	119,244	110,378	3.02	60
Other listed securities				–	–	–	6,782
Total investment in listed securities				277,398	288,305	7.89	7,811

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW (Cont'd)

Listed Investments Portfolio (Cont'd)

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

UNLISTED INVESTMENT REVIEW

As at 31 December 2019, the Company held one unlisted securities investment but was fully impaired. Given the overall economic environment remained stagnant under the Sino-U.S. trade dispute, the Investment Manager studied several new potential projects during 2019, however, no new investment was consummated in view of the Company's limited cash resources.

Unlisted Investment Portfolio

As at 31 December 2019

Invested project	Nature of business	% of equity interest %	Amount invested at cost US$	Fair value changes US$	Fair value as at 31 December 2019 US$	% of net asset value %	Dividend income US$	Accumulated dividend income US$
Global Market Group Limited (Note)	**B2B platform**	**9.36**	**5,847,458**	**(5,847,458)**	**–**	**–**	**–**	**1,814,613**

As at 31 December 2018

Invested project	Nature of business	% of equity interest %	Amount invested at cost US$	Fair value changes US$	Fair value as 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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW (Cont'd)

Global Market Group Limited ("GMG")

GMG is a B2B internet trading service provider in the mainland China. It focuses on providing an international trading service platform linking high-end quality export manufacturers in China with international buyers. Currently, its internet trading service consists of M2B and M2B2C businesses. In response to the Chinese government's call for developing cross-border E-commerce industry and in an effort to fully exert GMG's advantage of its established B2B E-commerce platform, GMG developed cross-border E-commerce platform since 2016 and finally launch its own hot-selling T-shirt product on the new platform in the second half of 2018. However, the revenue from the hot-selling products was disappointing and far from its original target, coupled with failing capital raising for its business expansion, GMG's business deteriorated significantly over these years.

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 in 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 subsequently delisted in May 2017 due to insufficient fund-raising capability. The Investment Manager had been in negotiation vigorously with GMG for an exit after those rounds of delisting decisions.

As at 31 December 2019, 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 continued to adopt a relative valuation model to calculate the fair value of GMG by reference to comparable listed companies in Chinese E-commerce industry. Given continuous deteriorated performance from its traditional B2B business and working capital spent to promote hot-selling products which turned out to be disappointing, cash position dropped significantly, in addition to a potential liability over a redeemable non-controlling interest, GMG's fair value had been deteriorating and ended up with US$259,465 as at 31 December 2018. The continuous declining operating performance and failure of new capital raising resulted in severely poor cash level in 2019 and going concern problem. Given the risk of material potential liability over a redeemable non-controlling interest and uncertainties in prospect, full provision on this investment has been reported as at 30 June 2019. The financial position of GMG did not improve in the second half of 2019 and the risk of going concern is increasing. As a result, the Company considered appropriate that the fair value of GMG as at 31 December 2019, calculated using relative valuation model, was written down to zero level, indicating a drop of US$259,465 as compared with that of 31 December 2018. Despite a dividend income of approximately US$1.8 million was recorded in prior years, the Investment Manager would continue to push the management of GMG to strike for reasonable exit and returns.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Ching
Executive Director
Member of Remuneration Committee

Aged 64, 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, Luen Thai Holdings Limited and Minth Group Limited, all of which are 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 a 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 46, 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 18 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 49, 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 Financial Leasing Co., Ltd. (formerly known as "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.

* *English company name remains unchanged*

BIOGRAPHICAL DETAILS OF DIRECTORS

LU Xuefang
Non-executive Director

Aged 55, 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 24 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 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, production and sales of consumer products and hotel operations. He is the chairman of The Tien Chu (Hong Kong) Company Limited, a subsidiary of the SIIC Group.

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.

NI Jianwei
Non-executive Director

Aged 53, 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 21 years' experience in corporate management, investment banking and capital markets operation.

BIOGRAPHICAL DETAILS OF DIRECTORS

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

Aged 69, 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. During the period from 1990 to January 2018, he was an advisor for doctoral candidates at Fudan University, and later was the Chief of Academic Committee of economic school Fudan University. He had been teaching and conducting research in world economics, China economics and finance at Fudan University. Dr. Hua is currently an independent non-executive director of Da Ming International Holdings Limited, a company listed on the Hong Kong Stock Exchange.

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

Aged 65, 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 43 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

YICK Wing Fat Simon
Independent Non-executive Director
Chairman of Audit Committee, Member of Nomination Committee and Remuneration Committee

Aged 61, 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 37 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, and an 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 (these companies are listed on the Hong Kong Stock Exchange). Since October 2019, Mr. Yick has been appointed independent non-executive director, chairman of the audit committee and the remuneration committee and a member of nomination committee of Modern Media Holdings 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 2019, 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 27 May 2019.

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 44 to 46 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 Independent Non-executive Directors ("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 15 to 19 under the heading "Biographical Details of Directors". In addition, a list containing the names of the Directors and their roles and functions is published on the 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$130,000 per annum (such remuneration has been revised from HK$120,000 to HK$130,000 per annum since 1 July 2019). 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

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 Independent 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 2019, 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.

Dr. WANG Ching, Mr. NI Jianwei and Mr. ONG Ka Thai will retire by rotation at the 2020 AGM, and being eligible, offer themselves for re-election at the 2020 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

Mr. ONG Ka Thai, the retiring Director, has served as an INED for more than 9 years. During his years of appointment, he has demonstrated his ability to provide an independent view on the Company's matters. Notwithstanding his years of service as INED, the Board is of the opinion that Mr. ONG's knowledge and experience in the Company's business will continue to generate valuable contribution to the Board, the Company and the Shareholders as a whole and thus recommends him for re-election at the 2020 AGM. In accordance with the CG Code, the re-election of Mr. ONG will be subject to separate resolution to be approved at the 2020 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 2019. 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	3/4
Mr. ONG Ka Thai	4/4	Mr. LU Xuefang*	4/4

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

As at 31 December 2019, 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 47 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 2019. 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. The Board has adopted the amended terms of reference of the Audit Committee and the Nomination Committee (effective on 1 January 2019) 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 2019. 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, and the continuing connected transactions conducted by the Company. 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 2019.

REMUNERATION COMMITTEE

The Company's Remuneration Committee, established in March 2005, currently comprises all three INEDs, namely, Mr. ONG Ka Thai (Chairman), Dr. HUA Min, and Mr. YICK Wing Fat Simon 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 three meetings during the year ended 31 December 2019. Attendance of Remuneration Committee member at such meetings was:

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

During the year, the Remuneration Committee reviewed the director's remuneration (if any) for the proposed appointment of Mr. LU Xuefang as Non-executive Director and made recommendation for the Board. It also reviewed current remuneration policies of the Company for its staff and of its Directors by reference to market comparables.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company's Nomination Committee, established in February 2012, currently comprises all three INEDs, namely Dr. HUA Min (Chairman), Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon. Its latest written terms of reference, 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 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 2019. Attendance of Nomination Committee member at 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 and considered the proposed appointment of Mr. LU Xuefang as Non-executive Director, and recommended to the Board for such appointment. It also reviewed current Board structure, size and composition, the independence of the INEDs, and considered the qualifications the retiring Directors standing for election at the annual general meeting.

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. 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.

General Meetings

The Company held two general meetings during the year. The Company's 2019 annual general meeting ("2019 AGM") was held on 27 May 2019 and an extraordinary general meeting ("EGM") was held on 26 November 2019 (collectively, the "General Meetings"). The Chairmen of the General Meetings exercised their 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 General Meetings were passed. The Company's Share Registrar was appointed as scrutineer to monitor and count the poll votes cast at the General Meetings. The results of the voting by poll were published on the websites of the Company and HKEX. In addition, Executive Directors as well as respective Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and the Company's external auditor attended the 2019 AGM to answer questions (if necessary).

CORPORATE GOVERNANCE REPORT

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

General Meetings (Cont'd)

Attendance of Directors at the 2019 AGM and EGM was:

	Attendance	
Directors	**2019 AGM**	**EGM**
Executive Directors		
Dr. WANG Ching	1/1	0/1
Mr. WU Bin	1/1	1/1
INEDs		
Dr. HUA Min	1/1	0/1
Mr. ONG Ka Thai	1/1	0/1
Mr. YICK Wing Fat Simon	1/1	1/1
Non-executive Directors		
Mr. FENG Huang	1/1	1/1
Mr. NI Jianwei	1/1	1/1
Mr. LU Xuefang*	1/1	1/1

* *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.

MAJOR CHANGES TO CONSTITUTIONAL DOCUMENTS

At the EGM held on 26 November 2019, special resolutions were passed by the Shareholders of the Company approving certain amendments (the "Amendments") to the Company's article of association, among others, broadening the investment objectives and facilitating better administration of the Company; and adoption of the amended and restated memorandum and articles of association of the Company. Details of the Amendments were set out in the Company's announcement dated 29 October 2019 and circular dated 1 November 2019. The amended and restated memorandum and articles of association of the Company 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 2019, 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 2019 is summarised below:

Directors	Reading regulatory updates or other relevant reference materials	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*	✓	✓

* *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

The Company Secretary 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 2019, 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 2019 pushed up trading costs, in particular the imposition of heavy custom tariff by U.S. on imported products from China. The tension continued to worsen as technological ban was implemented on China's tech giant, Huawei, putting weight on financial markets and jeopardised China economic growth. Besides, the continuous deteriorating operation of the Company's unlisted investment has resulted in full impairment of value. 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 2019, 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 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 49 to 53.

For the year ended 31 December 2019, services provided to the Company by its external auditor and the respective fees paid were:

	2019 US$
Audit services	50,153
Taxation compliance and other services	11,730
	61,883

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its Environmental, Social and Governance Report ("ESG Report") for the year ended 31 December 2019 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 2019 to 31 December 2019. 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:

	2019	2018
Electricity Consumed (kWh)[2]	**5,763**	5,943
Paper Used (kg)	**31.5**	36.8

	2019	2018
Scope 1 GHG Emissions[3] (kg CO_2e)	**0**	0
Scope 2 GHG Emissions[4] (kg CO_2e)[5]	**4,552**	4,694
Scope 3 GHG Emissions[6] (kg CO_2e)	**151**	177
Total GHG Emissions (kg CO_2e)	**4,703**	4,871

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 CG 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.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment company whose principal business is to make investments in listed and unlisted equity and debt securities as well as in other financial instruments and investment vehicles which are established or have significant operations or businesses primarily in the Greater China Region.

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 14 of this annual report. This discussion forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 December 2019 and the Company's financial position at that date are set out in the financial statements on pages 54 to 93.

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

At 31 December 2019, 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$2,582,904.

REPORT OF THE DIRECTORS

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.

Dr. WANG Ching, Mr. NI Jianwei and Mr. ONG Ka Thai will retire by rotation at the 2020 AGM, and being eligible, offer themselves for re-election at the 2020 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

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 15 to 19 of the annual report.

REPORT OF THE DIRECTORS

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 2019 Interim Report or the publication of the latest biographical details of the Directors in the Company's 2018 Annual Report are set out below:

Names of Directors	Changes
Mr. LU Xuefang	• Appointed as chairman of The Tien Chu (Hong Kong) Company Limited in April 2019
Mr. YICK Wing Fat Simon	• Appointed as independent non-executive director, chairman of the audit committee and the remuneration committee and a member of nomination committee of Modern Media Holdings Limited, which is listed on the Hong Kong Stock Exchange, in October 2019

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 2019 and Mr. YICK Wing Fat Simon's current service contract commenced on 1 August 2019. 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$130,000 (such remuneration has been revised from HK$120,000 to HK$130,000 per annum since 1 July 2019).

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 provides 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 2019. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company.

DIRECTORS' REMUNERATION

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

REPORT OF THE DIRECTORS

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 ended 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 ended December 2018 and thereafter until the High Water Mark is reached.

REPORT OF THE DIRECTORS

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 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 2019, investment management and administration fees of US$80,061 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.

REPORT OF THE DIRECTORS

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS *(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 2019, 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 2019.

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.

REPORT OF THE DIRECTORS

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

At 31 December 2019, as far as the Directors were aware, the following entities or persons had interests and short positions of 5% or more of the issued 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 2019, no person had registered an interest or short position in the 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. In addition, 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, whereas 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.

REPORT OF THE DIRECTORS

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, there is sufficient public float of at least 25% of the Company's total number of issued shares 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
LU Xuefang
Non-executive Director

Hong Kong, 17 March 2020

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 54 to 93, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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

To the shareholders of Shanghai International Shanghai Growth Investment Limited
(An exempted company incorporated in the Cayman Islands with limited liability)

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
Valuation of the unlisted investment in Global Market Group Limited ("GMG")	
The unlisted investment in GMG was classified as a financial asset at fair value through profit or loss in the statement of financial position at 31 December 2019. The investment was measured at fair value. We focused on this area because the selection of both the valuation technique and inputs to the valuation technique used for GMG involved significant judgement. In measuring the fair value of the investment, management is required to make assumptions which involve significant judgement which include, amongst others, enterprise value to sales ("EV/S") ratio and discount for lack of marketability ("DLOM"). The unrealised loss of GMG for the year ended 31 December 2019 was material to the financial statements. As at 31 December 2019, the investment was written down to nil as disclosed in note 11 and was categorised within Level 3 in the fair value hierarchy as set out in note 18 to the financial statements.	The procedures we performed that addressed the key audit matter included, amongst others: • Performed a walkthrough to understand the process for the preparation, review, approval and recording of the valuation of the investment; • Sent a confirmation to the investee company to confirm the company's shareholding; • Evaluated the competence, capabilities and objectivity of management's specialist; • Involved valuation specialists to assess the appropriateness of the valuation technique selected by reference to market practice for similar investments; • Agreed observable inputs into the valuation model to external market data; • Assessed unobservable inputs including the EV/S and DLOM by comparing to assumptions used by market participants when valuing similar investments; • Assessed the revenue of the investee company by back-testing to its historical financial information; • Obtained the financial information of the investee company and analysed the financial performance and liquidity of the investee company; • Assessed qualitative factors by reviewing the business plan of the investee company and communication between management and the investee company; and • Assessed the completeness of the financial statement disclosures regarding fair value hierarchy as set out in note 18 to the financial statements against the requirements of HKFRSs.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shanghai International Shanghai Growth Investment Limited
(An exempted company incorporated in the Cayman Islands with limited liability)

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shanghai International Shanghai Growth Investment Limited
(An exempted company incorporated in the Cayman Islands with limited liability)

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

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shanghai International Shanghai Growth Investment Limited
(An exempted company incorporated in the Cayman Islands with limited liability)

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

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

17 March 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 US$	2018 US$
INCOME AND GAIN/(LOSS) ON INVESTMENTS			
Interest income		**4,426**	2,586
Dividend income		**7,811**	27,458
Net change in unrealised loss on financial assets at fair value through profit or loss	*6*	**(248,557)**	(2,046,085)
Net gain/(loss) on disposal of financial assets at fair value through profit or loss	*6*	**229,875**	(87,035)
		(6,445)	(2,103,076)
EXPENSES			
Investment manager's fees	*16(a)*	**(80,061)**	(119,511)
Administrative expenses		**(481,011)**	(457,260)
Exchange gain/(loss)		**11,661**	(4,286)
		(549,411)	(581,057)
Loss before tax	*5*	**(555,856)**	(2,684,133)
Income tax	*8*	**–**	–
LOSS FOR THE YEAR		**(555,856)**	(2,684,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(555,856)**	(2,684,133)
LOSS PER SHARE – BASIC AND DILUTED	*10*	**(US5.20 cents)**	(US25.12 cents)

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 US$	2018 US$
NON-CURRENT ASSET			
Financial assets at fair value through profit or loss	*11*	**288,305**	717,861
Total non-current asset		**288,305**	717,861
CURRENT ASSETS			
Prepayments and other receivables	*12*	**37,636**	90,059
Cash and bank balances	*13*	**3,419,680**	3,485,906
Total current assets		**3,457,316**	3,575,965
CURRENT LIABILITIES			
Payable and accruals		**43,092**	45,307
Amount due to the investment manager	*16(c)*	**51,025**	41,159
Total current liabilities		**94,117**	86,466
NET CURRENT ASSETS		**3,363,199**	3,489,499
NET ASSETS		**3,651,504**	4,207,360
EQUITY			
Share capital	*14*	**1,068,600**	1,068,600
Reserves		**2,582,904**	3,138,760
Total equity		**3,651,504**	4,207,360
NET ASSET VALUE PER SHARE	*15*	**0.34**	0.39

LU Xuefang
Director

WU Bin
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital US$	Share premium account US$	Capital reserve US$ *(Note b)*	Accumulated losses US$	Total US$
At 31 December 2018	**1,068,600**	**12,921,815***	**(5,575,542)***	**(4,207,513)***	**4,207,360**
Total comprehensive loss for the year:	**–**	**–**	**–**	**(555,856)**	**(555,856)**
Transfer from accumulated losses *(Note b)*:					
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	**–**	**–**	**(261,008)**	**261,008**	**–**
At 31 December 2019	**1,068,600**	**12,921,815***	**(5,836,550)***	**(4,502,361)***	**3,651,504**

	Share capital US$	Share premium account US$	Available-for-sale investment revaluation reserve US$ *(Note a)*	Capital reserve US$ *(Note b)*	Accumulated losses 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 (restated)	1,068,600	12,921,815	–	(3,529,457)	(3,569,465)	6,891,493
Total comprehensive loss for the year:	–	–	–	–	(2,684,133)	(2,684,133)
Transfer from accumulated losses *(Note b)*:						
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	–	–	–	(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

* These reserve accounts comprise the reserves of US$2,582,904 (2018: US$3,138,760) in the statement of financial position.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

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 26 November 2019, profits arising from the realisation of investments shall be available for distribution as dividends. Profits arising from revaluation of investments may be available for distribution as dividends only at the discretion of the board of directors. As a result, a net unrealised loss on change in fair value of financial assets at fair value through profit or loss is transferred from accumulated losses to capital reserve.

During the year ended 31 December 2019, net unrealised loss on change in fair value of financial assets at fair value through profit or loss of US$261,008 was transferred from accumulated losses to capital reserve (2018: net unrealised loss of US$2,046,085)

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Note	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(555,856)**	(2,684,133)
Adjustments for:			
Interest income		**(4,426)**	(2,586)
Dividend income		**(7,811)**	(27,458)
Net (gain)/loss on disposal of financial assets at fair value through profit or loss		**(229,875)**	87,035
Net change in unrealised loss on financial assets at fair value through profit or loss		**248,557**	2,046,085
Operating cash flows before movements in working capital		**(549,411)**	(581,057)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,736,911**	2,475,118
Purchase of financial assets at fair value through profit or loss		**(2,326,037)**	(1,806,639)
Decrease in prepayments and other receivables		**52,423**	14,131
Decrease in accruals		**(2,215)**	(248,497)
Increase in an amount due to investment manager		**9,866**	8,784
Cash used in operations		**(78,463)**	(138,160)
Interest received		**4,426**	2,586
Dividend received		**7,811**	27,458
Net cash used in operating activities		**(66,226)**	(108,116)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(66,226)**	(108,116)
Cash and cash equivalents at beginning of year		**3,485,906**	3,594,022
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,419,680**	3,485,906
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances	*13*	**3,419,680**	3,485,906
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS		**3,419,680**	3,485,906

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 investments in listed and unlisted equity and debt securities as well as in other financial instruments and investment vehicles which are established or have significant operations or businesses primarily in the Greater China Region.

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 which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest dollar except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following new and revised HKFRSs, which are effective for annual periods beginning on or after 1 January 2019, for the first time for the current year's financial statements.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 16, HKAS 19 and HKAS 28, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Amendments to HKFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit or loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The amendments did not apply to the Company as the Company did not have any debt instruments with prepayment features along with compensation for early termination. In addition, as clarified in the amendments to the basis for conclusions on HKFRS 9, the gain or loss arising on modification of a financial liability that does not result in derecognition (calculated by discounting the change in contractual cash flows at the original effective rate) is immediately recognised in profit or loss. The Company's current accounting policy is consistent with this clarification and therefore the amendments did not have any impact on the Company's financial statements.

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 did not have any impact on the financial position or performance of the Company.

Annual Improvements to HKFRSs 2015-2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. 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. The Company has had no joint operation and therefore, the amendments are not applicable to the Company's financial statements.

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. The Company has not participated in any joint operation and therefore, the amendments are not applicable to the Company's financial statements.

HKAS 12 *Income Taxes*: Clarifies that an entity recognizes 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. The amendments did not have any impact on the Company's financial statements.

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. The amendments did not have any impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

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

3 No mandatory effective date yet determined but available for adoption

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 2019

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 2019

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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.

Financial assets at fair value through profit or loss

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 profit or loss.

This category includes 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 dividend income in 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Investments and other financial assets (Cont'd)

Subsequent measurement *(Cont'd)*

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

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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Impairment of financial assets

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.

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 2019

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss loans and borrowings, 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 payable, accruals and an amount due to the investment manager.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate 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 effective interest rate amortisation process.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Employee benefits

Pension scheme

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Income tax (Cont'd)

Hong Kong *(Cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, and 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 and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Revenue recognition

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, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Dividends

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

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

Foreign currencies

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).

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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.

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 18 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

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 (note 18).

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 note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

Year ended 31 December 2019	**Listed securities US$**	**Unlisted securities US$**	**Total US$**
Segment results	**248,594**	**(259,465)**	**(10,871)**
Interest income from bank deposits			**4,426**
Exchange gain			**11,661**
Unallocated expenses			**(561,072)**
Loss before tax			**(555,856)**

For the year ended 31 December 2019, segment results represented the net gain on disposal of listed equity securities classified as financial assets at fair value through profit or loss, net loss on change in fair value of both listed 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 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 of listed equity securities classified as financial assets at fair value through profit or loss, net loss on change in fair value of both listed 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.

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 2019

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

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

At 31 December 2019	**Listed securities US$**	**Unlisted securities US$**	**Total US$**
Financial assets at fair value through profit or loss	**288,305**	**–**	**288,305**
Total segment assets	**288,305**	**–**	**288,305**
Unallocated assets			**3,457,316**
Total assets			**3,745,621**

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

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 2019 and 2018 were unallocated liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. LOSS BEFORE TAX

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

	2019 US$	2018 US$
Auditor's remuneration	50,153	47,604
Custodian fee	12,221	18,308
Employee benefit expense (excluding directors' remuneration) *(Note)*		
Salaries and other benefits	176,352	147,348
Retirement benefit costs	4,595	5,940

Note: During the year ended 31 December 2019, five (2018: five) individuals received remuneration from the Company. Two employees' remuneration is disclosed thereon and in note 16(b) to the financial statements and the remuneration of three directors is disclosed in note 7 to the financial statements.

6. GAIN OR LOSS ON INVESTMENTS

At 31 December 2019	Listed securities US$	Unlisted securities US$	Total US$
Included in profit or loss:			
Realised gain:			
Financial assets at fair value through profit or loss	229,875	–	229,875
Unrealised gain/(loss):			
Financial assets at fair value through profit or loss	10,908	(259,465)	(248,557)
Total realised and unrealised gain/(loss) included in profit or loss	240,783	(259,465)	(18,682)
Total realised and unrealised gain/(loss) for the year	240,783	(259,465)	(18,682)

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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)

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:

	2019 US$	2018 US$
Fees:		
Dr. HUA Min	**15,985**	15,327
Mr. ONG Ka Thai	**15,985**	15,327
Mr. YICK Wing Fat, Simon	**15,985**	15,327
	47,955	45,981

Except for the directors' fees paid to the independent non-executive directors totalling US$47,955 (2018: US$45,981), none of the directors has received any emoluments for both years.

There were no other emoluments payable to the directors during the year (2018: Nil).

NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Company did not generate assessable profits arising in Hong Kong for the year ended 31 December 2019 (2018: 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 applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2019 US$	%	2018 US$	%
Loss before tax	(555,856)		(2,684,133)	
Tax at the statutory tax rate	(91,716)	16.5	(442,882)	16.5
Tax losses not recognised	51,494	(9.3)	63,991	(2.4)
Income not subject to tax	(3,911)	0.7	(4,957)	0.2
Expenses not deductible for tax	44,133	(7.9)	383,848	(14.3)
Tax charge at the Company's 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 2019 (2018: 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$555,856 (2018: loss of US$2,684,133) and the weighted average number of ordinary shares of 10,686,000 (2018: 10,686,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of dilution as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	US$	US$
Non-current:		
Unlisted equity investment – Ordinary shares, at fair value		
– Global Market Group Limited ("GMG")	**–**	259,465
Listed equity investments, at fair value	**288,305**	458,396
Total	**288,305**	717,861

Unlisted equity investment – Ordinary shares, at fair value:
The above unlisted investment at 31 December 2019 is a total of 8,734,897 ordinary shares of GMG held by the Company (2018: 8,734,897 shares), representing 9.36% of GMG's total issued ordinary shares (2018: 9.36%).

As at 31 December 2019 and 2018, the value of GMG ordinary shares was measured using relative valuation model. Management considered both quantitative and qualitative information in assessing GMG's financial performance and ability to attract new financing in the future. During the year ended 31 December 2018, GMG's financial performance had decreased from prior years and despite the fact that GMG had capital raising plan in 2018, it was not able to raise sufficient funding. Management considered that the drop in value of the unlisted investment was in line with the drop in the financial performance as at 31 December 2018 and continuously assessed and monitored the business development. During the year ended 31 December 2019, there was no improvement in the financial performance of GMG and no clear business and capital raising plans in the future. Management assessed that there was no sufficient cash flow liquidity in the business and it is lack of future business plan that would improve the performance. Therefore, management decided to write down the investment to nil as at 31 December 2019 (2018: US$259,465).

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.

During the year ended 31 December 2019, the net fair value gain in respect of the Company's Hong Kong investments recognised in profit or loss amounted to US$240,783 (2018: a net fair value loss of US$74,584), of which a net gain of US$229,875 (2018: 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 2019

12. PREPAYMENTS AND OTHER RECEIVABLES

	2019 US$	2018 US$
Prepayments	37,636	38,204
Other receivables	–	51,855
	37,636	90,059

13. CASH AND BANK BALANCES

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with a creditworthy bank with no recent history of default.

14. SHARE CAPITAL

	2019 US$	2018 US$
Authorised:		
18,000,000 (2018: 18,000,000) ordinary shares of US$0.10 each	1,800,000	1,800,000
Issued and fully paid:		
10,686,000 (2018: 10,686,000) ordinary shares of US$0.10 each	1,068,600	1,068,600

15. 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 2019 of US$3,651,504 (2018: US$4,207,360) and the number of ordinary shares of 10,686,000 in issue as at 31 December 2019 (2018: 10,686,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2019

16. RELATED PARTY TRANSACTIONS

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

	Note	2019 US$	2018 US$
Investment management and administration fees charged by the Investment Manager	*(i)*	**80,061**	119,511

Note:

(i) Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager") provides key management personnel services to the Company. All directors of the Investment Manager are common directors of the Company.

In accordance with the terms of the investment management agreement and the eighth 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 2019, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (2018: 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

(b) Other transactions with a related party

Employee benefit expense was paid for administrative services provided by two employees of Investment Manager who were seconded and provided administrative services only to the Company. The employee benefit expense was paid by the Investment Manager and charged back to the Company in the form of fee note every quarter which is normally settled at the beginning of each quarter. Details of employee benefit expense is included in note 5 to the financial statements.

The above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Exemption from the connected transaction requirements are available for such transactions in relation to administrative services shared between the Company and Investment Manager on a cost basis.

(c) Outstanding balance with a related party:

Amount due to the investment manager comprises mainly of employee benefit expense payable and out-of-pocket expense payable. The Company had an outstanding amount due to the investment manager of US$51,025 (2018: US$41,159) as at the end of the reporting period. This balance is unsecured, interest-free and repayable on demand.

(d) 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 included in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. 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:

2019

Financial assets	Financial assets at fair value through profit or loss* US$	Financial assets at amortised cost US$	Total US$
Financial assets at fair value through profit or loss	288,305	–	288,305
Cash and bank balances	–	3,419,680	3,419,680
	288,305	3,419,680	3,707,985

* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US$
Amount due to the investment manager	51,025

NOTES TO FINANCIAL STATEMENTS

31 December 2019

17. 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: (Cont'd)

2018

Financial assets	Financial assets at fair value through profit or loss* US$	Financial assets at amortised cost 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

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The 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 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 chief financial officer and the audit committee. 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 chief financial officer and the directors. 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 2019

18. 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 designated at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to sales ("EV/S") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a sales measure. The multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding sales measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the statement of financial position, and the related change in fair value, 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 instrument together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	**Significant unobservable input**	**Amount**	**Sensitivity of fair value to the input**
Unlisted equity investment	Relative valuation model	*EV/S ratio	2019: 2.44X (2018: 3.00X)	10% (2018: 10%) increase/ decrease in EV/S ratio would result in increase/decrease in fair value by nil (note a) (2018: US$88,506).
		Revenue	2019: US$5.02 million (2018: US$3.70 million)	10% (2018: 10%) increase/ decrease in revenue would result in increase/decrease in fair value by nil (note a) (2018: US$88,506).
		Discount for lack of marketability	2019: 40% (2018: 15%)	10% (2018: 10%) increase/ decrease in discount would result in increase/decrease in fair value by nil (2018: US$4,579).

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

Note a: The fair value of the unlisted equity investment was written down to nil, so the inputs would not result in any impact on its fair value.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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 2019

	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 investments	288,305	–	–	288,305
Unlisted equity investment**	–	–	–	–
	288,305	–	–	288,305

** Level 3 contained the unlisted equity investment of the Company that was written down to nil. Please refer to note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

18. 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 2018

	Fair value measurement using			
	Quoted prices 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 investments	458,396	–	–	458,396
Unlisted equity investment	–	–	259,465	259,465
	458,396	–	259,465	717,861

	2019 US$	2018 US$
Equity investment at fair value through profit or loss – unlisted:		
At 1 January	**259,465**	2,318,001
Change in fair value	**(259,465)**	(2,058,536)
At 31 December	**–**	259,465

The Company did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2018: Nil) and no transfers into or out of Level 3 for financial assets at fair value through profit or loss (2018: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2019

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise 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 individual equity investments included in financial assets at fair value through profit or loss (note 11) as at 31 December 2019. The Company's listed 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 following 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 were as follows:

	31 December 2019	**High/low 2019**	31 December 2018	High/low 2018
Hong Kong				
– Hang Seng Index ("HSI")	**28,190**	**30,280/ 24,900**	25,846	33,484/ 24,541

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 4.94% (2018: 3.38%) change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

As at 31 December 2019, 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 loss before tax and equity due to a reasonably possible increase of 10% in the EV/S ratio or the revenue of GMG, with all variables held constant, amounted to nil (2018: US$88,506). An equivalent decrease in the EV/S ratio or the revenue of GMG would have resulted in an equivalent, but opposite, impact.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

19. 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 loss before tax US$	Increase/ (decrease) in equity* US$
2019			
Investments listed in Hong Kong			
– Financial assets at fair value through profit or loss	**288,305**	**14,242**	**–**
2018			
Investments listed in Hong Kong			
– Financial assets at fair value through profit or loss	458,396	15,494	–

* 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), 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 2019, the Company was mainly exposed to fluctuations in the exchange rate of RMB (2018: 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 2019 and 2018. 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 2019

19. 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 the RMB exchange rates against US$, with all other variables held constant, on the Company's loss before tax and the Company's equity:

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax US$	Increase/ (decrease) in equity* US$
2019			
If the US$ weakens against the RMB	**1.2**	**–**	**181**
If the US$ strengthens against the RMB	**1.2**	**–**	**181**
2018			
If the US$ weakens against the RMB	5.7	–	15,646
If the US$ strengthens against the RMB	5.7	–	(15,646)

* 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$3,419,680 (2018: US$3,485,906).

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 2019

19. 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 balance 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

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.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12 month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
Cash and bank balances					
– Not yet past due	3,419,680	–	–	–	3,419,680
	3,419,680	–	–	–	3,419,680

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Maximum exposure and year-end staging *(Cont'd)*

As at 31 December 2018

	12 month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$	US$	US$	US$	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 2019

19. 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 balance 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 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:

	Notes	**On demand US$**	**Less than 1 year US$**	**1 to 5 years US$**	**Total US$**
2019					
Financial assets at fair value through profit or loss	*11*	–	–	288,305	288,305
Cash and bank balances	*13*	3,419,680	–	–	3,419,680
Total financial assets		3,419,680	–	288,305	3,707,985
Amount due to the investment manager	*16(c)*	51,025	–	–	51,025
Total financial liability		51,025	–	–	51,025

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

Liquidity risk (Cont'd)

	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	*11*	–	–	717,861	717,861
Financial assets included in prepayments and other receivables	*12*	51,855	–	–	51,855
Cash and bank balances	*13*	3,485,906	–	–	3,485,906
Total financial assets		3,537,761	–	717,861	4,255,622
Amount due to the investment manager	*16(c)*	41,159	–	–	41,159
Total financial liability		41,159	–	–	41,159

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 2019 and 31 December 2018.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2020.

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				
	2015	2016	2017	2018	**2019**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Income	79	39	227	30	**254**
Expenses	(3,965)	(1,553)	(1,649)	(2,714)	**(810)**
Loss before tax	(3,886)	(1,514)	(1,422)	(2,684)	**(556)**
Tax	–	–	–	–	**–**
Loss for the year	(3,886)	(1,514)	(1,422)	(2,684)	**(556)**
Loss per share (US cents)					
– Basic and diluted	(43.64)	(15.59)	(13.31)	(25.12)	**(5.20)**

	At 31 December				
	2015	2016	2017	2018	**2019**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	7,884	8,252	7,218	4,294	**3,746**
Total liabilities	70	69	326	86	**94**
Net assets	7,814	8,183	6,892	4,208	**3,652**
Net asset value per share	US$0.88	US$0.77	US$0.64	US$0.39	**US$0.34**