SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

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

Annual Report
2009

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

Contents

Corporate Information

DIRECTORS

Executive Directors:
Dr. WANG, Ching
Mr. WU, Bin

Independent Non-Executive Directors:
Dr. HUA, Min
Mr. ONG, Ka Thai
Mr. YICK, Wing Fat Simon

Other Non-Executive Directors:
Mr. CHEN, Chi-chuan
Mr. LEE, Tien-chieh
Mr. LIN, Bin
Mr. TSENG, Ta-mon
Mr. CAI, Nongrui
(retired on May 8, 2009)

COMPANY SECRETARY

Mr. LIANG, Kwan Wah Andrew

INVESTMENT MANAGER

Shanghai International Asset
Management (H.K.) Co., Ltd.
Room 1707-8, 17/F, Tower 1,
New World Tower
16-18 Queen's Road Central, Hong Kong

Room 1204 Aetna Tower
107 Zun Yi Road
Shanghai 200051, China

LEGAL ADVISERS

In Hong Kong:
Charltons Solicitors & Notary Public

In the Cayman Islands:
Maples and Calder

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F Tesbury Centre,
28 Queen's Road East,
Hong Kong

REGISTERED OFFICE

Ugland House, P.O. Box 309
George Town, Grand Cayman,
Cayman Islands

COMPANY'S WEBSITE

http://shanghaigrowth.etnet.com.hk

STOCK CODE

770

BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present its annual report of the Company for the year ended December 31, 2009.

REVIEW OF RESULTS

The Company recorded an operating profit of US$699,768 for the year ended December 31, 2009, a turnaround from an operating loss of US$2,001,941 in 2008. The Company avoided the enormous corrections brought about by the global financial tsunami during 2008 and has, since June 2009, gradually increased its investment position in order to ride on the bottom-out trend of the equity market. Realized gain of US$483,693 on the exit of listed securities was recorded by the Company as compared with a net loss of US$1,034,565 in 2008. The Company received US$16,685 in dividend income (2008: US$56,153) from listed securities during the year. As at December 31, 2009 the Company recorded a fair value gain of US$20,986 on investments in listed securities.

As for unlisted investments, the Company has successfully disposed of a long-held fully impaired investment and recorded a recovery of US$435,400 at the end of 2009. The Company also recorded an unrealized fair value gain of US$500,500 on one of its convertible preference shares investments.

Although there was a general recovery in the global capital markets, the Company nonetheless maintained a prudent investment strategy, being mindful of remaining uncertainties in 2009. The Company's listed investment portfolio recorded an overall return of 14.91% for the year.

The Company paid a special final dividend of US$0.10 per share for 2008 in May 2009. The Company's net asset value ("NAV") per share as at December 31, 2009 was US$2.41 after such dividend distribution, a 0.82% decrease compared with US$2.43 at the end of 2008 whilst a 3.29% increase before payment of such dividend. As at the end of December 2009, the Company's share price was US$1.70 (2008: US$2.00), reflecting a 29.46% discount to NAV per share.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

There was no new investment made in unlisted shares during 2009. Subsequent to the distribution of special dividend of US$890,500 in May 2009, the Company's bank balances as of December 31, 2009 were US$7,455,137 (2008: US$8,568,022), of which US$788,239 (2008: US$788,156) were held in RMB equivalent in trust deposit with a registered financial institution in China. RMB is not a freely convertible currency and the RMB exchange rate against the US dollar did not fluctuate much during 2009.

The Company did not have any bank borrowing or capital commitment on its unlisted investments at the end of December 2009 and December 2008 respectively.

BOARD OF DIRECTORS' STATEMENT

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Except for the RMB deposit, a majority of the Company's assets are denominated in US dollars and Hong Kong dollars. As long as the Hong Kong dollar continues its peg to the US dollar in the foreseeable future, the Company does not anticipate any material exposure to exchange fluctuations. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure.

The slow and moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact to the Company.

CHANGE IN CUSTODIAN

The custodian services previously provided by State Street Bank and Trust Company was terminated as from January 1, 2009 and Standard Chartered Bank (Hong Kong) Limited, a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority and an independent third party of the Company, was appointed custodian of the Company with effect from the same date.

EMPLOYEES

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

DIVIDEND DISTRIBUTION

Subject to approval by shareholders at the annual general meeting of the Company to be held on May 11, 2010, the Board proposes a special final dividend of US$0.10 per share in cash for 2009, representing approximately a 6% return on the market share price at the time of announcing such dividend. This special final dividend, if approved, will be paid on or before June 11, 2010 to shareholders whose names are on the Company's Register of Members on May 11, 2010.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from April 30, 2010 to May 11, 2010, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Registrars of the Company, Tricor Secretaries Limited, for registration no later than 4:00 p.m. on April 29, 2010.

BOARD OF DIRECTORS' STATEMENT

OUTLOOK FOR 2010

The world economy has stabilized to a certain extent, with some industries starting to show signs of recovery. China will certainly be a driving factor as many country leaders described. With over 10% GDP growth in the fourth quarter of 2009, China may need to keep a close eye on inflation, nevertheless, its domestic consumption is expected to remain strong. The US will walk out from the shadow of financial crisis, albeit at a slower pace. Given that no more multinational corporations declare bankruptcy, the US economy shall be able to get back on its feet, and hopefully with a decline in unemployment rate.

The Hong Kong market will remain in a position where it would be heavily influenced by both the US and China markets. The low interest rate and low US dollar environment may change in 2010 when the global economy improves even further. The rejuvenated primary market will provide corporations opportunities to go public in Hong Kong in 2010, taking the second half of 2009 as an example. However, investors are more aware of the prevailing market valuations, which means corporations may not be able to price their shares aggressively.

Therefore, the Investment Manager will remain cautious towards the market and prioritize the essentiality of capital preservation while seeking out exit opportunities for invested projects, screening potential investments and making prudent investment decisions.

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

Hong Kong, March 12, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

China Economy

China's major economic indicators:

Growth (year-on-year, per cent)	2009	2008
Gross domestic product ("GDP")	**8.7**	9.6
Value added industrial output	**11.0**	12.9
Retail sales	**15.5**	21.6
Consumer price index ("CPI")	**-0.7**	5.9
Fixed asset investments ("FAI")	**30.1**	25.5
Actual foreign direct investments	**6.2**	23.6
Exports	**-16.0**	17.2
Imports	**-11.2**	18.5
Trade surplus (US$ billion)	**196.1**	295.5
Foreign exchange reserve (US$ billion)	**2,399**	1,950

Source: Published information

2009 was another challenging year for China. The global financial crisis caused a decrease in demand from overseas, which resulted in a drop in exports. Credit crunches also caused less foreign investments in China. All unfavorable outside factors drove the China government to come up with solutions to boost China's domestic demand, in order to avoid being dragged into the global recession alongside with other western countries.

The China government adopted a rather large scale money supply expansion policy, which pushed total loans in China from 2008's RMB3,000 billion to a new high of approximately RMB4,000 billion by the end of 2009. However, new loans in 2009 boosted an appreciation in real estate prices as a side effect, and led to a change in citizens' anticipation of the economic change; in other words, increased consumer spending and property investments. Global economic recovery in the second half of 2009 also boosted China's exports.

However, the economic recovery may pose threats such as inflation and asset price appreciation. For avoiding such problems, the China government must find a fine balance between continuous economic growth and prevent inflation and asset bubble creation.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW *(Cont'd)*

Global Economy

In the first quarter of 2009, the global economy carried on tumbling which led many capital markets to plunge into year-low levels. Many governments were struggling to find solutions to rescue banks and large corporations from bankruptcy, which could lead to severe job losses and further worsening the already battered economy. As all countries in Europe and the US are highly correlated financially, the western world tended to amplify the crisis altogether. With job losses reaching new highs while consumption and exports reached new lows, sentiment had turned negative in the first quarter. By the very end of March, some banks in the US reported operating profits for the first quarter, which the market believed was a turning point. From there on, global markets started to rebound from the bottom and an uptrend momentum had been formed. However, the globe was still shadowed by the aftermath from the financial crisis throughout the year.

In the US, the government proposed and carried out solutions to save its economy and the financial systems. Funding was being injected into banks and financial institutions to shore up their capital, hoping that no more major banks would have to declare bankruptcy, which could only further worsen the situation. The benchmark index Dow Jones plunged as much as 26% by early March, represented a year-low. From the year-low point, it picked up a long lasting rally till the end of the year, represented a growth of over 60% from the bottom by the end of 2009.

While the western world was suffering, China shifted its focus from exporting to boosting domestic demand. With a population of over 1.3 billion, China government understood the potential growth of domestic consumption and rolled out policies such as subsidies on white goods and increased infrastructure spending, with the goal of maintaining an annual GDP growth at 8%. Despite the slightly below-target 6.2% GDP growth for the first quarter, second quarter was 7.9%, 9.1% for the third and finally ended with an impressive 10.7% for the last quarter, culminating an overall 8.7% GDP growth for the whole of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW *(Cont'd)*

Relevant stock markets' performance in 2009

Indices	December 31, 2009	December 31, 2008	Change
Hang Seng Index "HSI"	**21,872.50**	14,387.48	52.02%
Hang Seng China Enterprises Index "HSCEI"	**12,794.13**	7,891.80	62.12%
Hang Seng China-Affiliated Corporations (Red Chip) Index "HSCCI"	**4,059.89**	3,292.40	23.31%
Shanghai A-Share Stock Price Index "Shanghai A"	**3,437.46**	1,911.79	79.80%
Shenzhen A-Share Stock Price Index "Shenzhen A"	**1,261.26**	581.51	116.89%
Taiwan Exchange Index "TAIEX"	**8,188.11**	4,591.22	78.34%
Dow Jones Industrial Average Index "DOW JONES"	**10,428.05**	8,776.39	18.82%
Standard and Poor's 500 Index "S&P 500"	**1,115.10**	903.25	23.45%
NASDAQ Composite Index "NASDAQ"	**2,269.15**	1,577.03	43.89%

Source: Bloomberg

Portfolio Allocation

	December 31, 2009	December 31, 2008
Unlisted investments	**61%**	59%
Listed investments	**2%**	1%
Cash and cash equivalents	**37%**	40%
Total	**100%**	100%

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW

Although the global capital market embarked on a recovery in general, the Company maintained a prudent investment strategy, being mindful of remaining uncertainties in 2009. The listed investment portfolio recorded a return of 14.91% for the year.

LISTED SECURITIES PORTFOLIO

As at December 31, 2009

Name of 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$
China Mobile Limited	Cellular telecommunications	23,000	0.0001	158,635	159,703	0.74	–
Kingsoft Corporation Limited	Computer games and software	80,000	0.0073	58,974	66,231	0.31	–
China Pacific Insurance (Group) Company	Life and property insurance products	41,000	0.0018	150,711	163,372	0.76	–
Other listed securities				–	–	–	16,685
Total investment in listed securities				368,320	389,306	1.81	16,685

MANAGEMENT DISCUSSION AND ANALYSIS

LISTED INVESTMENTS REVIEW *(Cont'd)*

LISTED SECURITIES PORTFOLIO

As at December 31, 2008

Name of listed securities	Nature of business	Number of shares held	% held of total issued shares	Cost US$	Market value US$	% of net asset value	Dividend received US$
Semiconductor Manufacturing International Corporation	Fabricate semiconductors for integrated circuits design	6,414,540	0.0829	715,600	268,995	1.24	–
Other listed securities				–	–	–	56,153
Total investment in listed securities				715,600	268,995	1.24	56,153

UNLISTED INVESTMENTS REVIEW

In 2009, the global financial crisis had spread widely into the economic fundamentals, which intensified volatility in the global economic landscape. Despite the RMB4,000 billion stimulus package, which helped in boosting China's 2009 GDP growth to 8.7%, several unstable factors remained. Influenced by the macro environment, venture capital and private equity investments in China entered into a period of consolidation. According to statistical data provided by relevant institutions, in 2009 both venture capital and private equity investments recorded a negative growth in capital raising and investment returns. On the capital raising front, the lack of capital was mainly caused by asset value depreciation for many institutional investors. Consequently, investment managers were obliged to review investment risks and became more prudent. Despite the economic recovery in China in 2009, the global economy remained uncertain with latent risks.

The Company has continued to manage its investments in a prudent and cautious fashion and no new unlisted investment was made in 2009. Nonetheless, the Company successfully disposed of a fully-impaired investment, Shanghai Lian Ji Synthetic Fiber Co., Ltd., recorded a net gain of US$435,400 at the end of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

UNLISTED INVESTMENTS PORTFOLIO

As at December 31, 2009

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Accumulated impairment US$	Share of results US$	Fair value changes US$	Carrying value of investment at 31.12.2009 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
Interest in an associate										
Raffles International Investment Limited *(N1)*	Investment holding	22.73	2,573,506	–	(1,118)	–	2,572,388	11.99	–	–

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Accumulated impairment US$	Share of results US$	Fair value changes US$	Carrying value of investment at 31.12.2009 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
Investment in unlisted securities										
China Material Technology Limited *(N2)*	Investment holding	3.36	2,500,000	–	–	–	2,500,000	11.65	–	–
Grandpro Technology Limited *(N3)*	Investment holding	2.17	2,600,000	–	–	500,500	3,100,500	14.45	–	–
Global Market Company Limited *(N4)*	B2B trading	8.47	5,000,000	–	–	–	5,000,000	23.31	–	–
Shanghai Hua Xin High Biotechnology Inc.	Pharmaceuticals	20.00	1,924,000	(1,924,000)	–	–	–	–	–	–
Shanghai Xinpu Transportation Co., Ltd.	Land transportation	34.90	698,000	(698,000)	–	–	–	–	–	–
			12,722,000	(2,622,000)	–	500,500	10,600,500	49.41	–	–
Total unlisted investments			15,295,506	(2,622,000)	(1,118)	500,500	13,172,888	61.40		

Notes:

N1: An investment holding company through which the Company ultimately acquired a 1.96% equity interest in an enterprise which is engaged in the manufacture and sales of high-end health care products.

N2: An investment holding company through which the Company acquired a 3.36% in an enterprise which is engaged in the production and sales of galvanized steel.

N3: An investment in redeemable convertible preference shares which translates into a 2.17% equity interest in an enterprise which is engaged in internet games platform.

N4: An investment in redeemable convertible preference shares which translates into an 8.47% equity interest in an enterprise which is engaged in B2B trading.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

UNLISTED INVESTMENTS PORTFOLIO
As at December 31, 2008

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Accumulated impairment US$	Share of results US$	Carrying value of investment at 31.12.2009 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
Interest in an associate									
Raffles International Investment Limited *(N1)*	Investment holding	22.73	2,573,506	–	(345)	2,573,161	11.90	–	–

Invested projects	Nature of business	% of equity interest	Amount invested at cost US$	Accumulated impairment US$	Share of results US$	Carrying value of investment at 31.12.2009 US$	% of net asset value	Dividend income US$	Accumulated dividend income US$
Investment in unlisted securities									
China Material Technology Limited *(N2)*	Investment holding	4.31	2,500,000	–	–	2,500,000	11.56	–	–
Grandpro Technology Limited *(N3)*	Investment holding	2.17	2,600,000	–	–	2,600,000	12.03	–	–
Global Market Company Limited *(N4)*	B2B trading	8.47	5,000,000	–	–	5,000,000	23.13	–	–
Shanghai Lian Ji Synthetic Fiber Co., Ltd.	Chemical fibers	11.10	6,121,600	(6,121,600)	–	–	–	–	2,080,520
Shanghai Hua Xin High Biotechnology Inc.	Pharmaceuticals	20.00	1,924,000	(1,924,000)	–	–	–	–	–
Shanghai Xinpu Transportation Co., Ltd.	Land transportation	34.90	698,000	(698,000)	–	–	–	–	–
			18,843,600	(8,743,600)	–	10,100,000	46.72	–	2,080,520
Total unlisted investments			**21,417,106**	**(8,743,600)**	**(345)**	**12,673,161**	**58.62**		

N1: *An investment holding company through which the Company ultimately acquired a 1.96% equity interest in an enterprise which is engaged in the manufacture and sales of high-end health care products.*

N2: *An investment holding company through which the Company acquired a 4.31% in an enterprise which is engaged in the production and sales of galvanized steel.*

N3: *An investment in redeemable convertible preference shares which translates into a 2.17% equity interest in an enterprise which is engaged in internet games platform.*

N4: *An investment in redeemable convertible preference shares which translates into an 8.47% equity interest in an enterprise which is engaged in B2B trading.*

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

Raffles International Investment Ltd. ("Raffles")

In September 2007, the Company subscribed for a 22.73% equity interest in Raffles for a consideration of HK$20 million, equivalent to approximately US$2,573,506. Raffles is a single purpose investment vehicle in raising HK$88 million for the purchase of a 10.48% equity share in Tongrui Holding Limited ("Tongrui"). After a couple of rounds of additional capital injections in Tongrui at higher valuations, Raffles' equity interest in Tongrui had been diluted to 8.64%. Accordingly, the Company's indirect equity interest in Tongrui is 1.96%.

Tongrui, an investment holding company incorporated in the British Virgin Islands, wholly-owns Wuxi Ruinian Industry & Commerce Co. Ltd. ("Wuxi Ruinian"), a health care products manufacturer registered in the Mainland. Wuxi Ruinian has a long history in the PRC health care industry and was one of the first companies that was granted GMP license in China to manufacture high-end modern health care products. Its "Ruinian" brand has been awarded "Jiangsu Province Renowned Brand". The Ruinian group of companies was restructured to form Ruinian International Ltd. ("Ruinian International") to obtain a listing in Hong Kong.

Currently, Ruinian retained the high-end amino acid tablet as its core business, together with reinforcement from other popular health products. Ruinian launched a skin care product line, for tapping into the women skin care market. The herbal tea "Shun Pai" also gained popularity in the market with a steady growth in sales.

In February 2010, Ruinian International obtained approval from the Hong Kong Stock Exchange on its application for a listing of its shares. Shares of Ruinian International have commenced trading on the Main Board on 19 February 2010. The corresponding listed shares held by Raffles are subject to a six-month lock-up period during which trading of the relevant shares are restricted.

China Material Technology Limited ("CMT")

The Company invested in 4.31% equity interest in CMT for a consideration of US$2.5 million in November 2007. In 2009, shareholders of CMT injected another USD5 million of capital; the Company's interest in CMT has thus been diluted to 3.36 %.

CMT, a company incorporated in the Cayman Islands in 2007, is currently holding a 100% stake in South Polar Lights Steel (Shanghai) Company Limited ("SPLS"). SPLS is a PRC registered company which is engaged in the production of galvanized steel, with its business in the region of Baoshan, Shanghai, a core region for producing, distributing and trading steel in Eastern China. SPLS' first stage planned annual production capacity is 300,000 tons of hot-rolled galvanized steel and 600,000 tons of pickling rolls. Its first stage products focused on the market dominated hot-rolled galvanized steel (1.5mm-4.5mm).

In the first half of 2009, while the steel industry was at a low, SPLS took advantage of the opportunity to transform its production line. In May, SPLS successfully completed their first batch of qualified products. Based on the completion of product line transformation and upgrades, SPLS is capable of producing high quality zinc coating and high quality zinc coated products. As these products do not have many competitors in the market, SPLS was able to achieve higher profit margins as a result.

CMT completed its US$5 million capital injection by shareholders in October 2009, SPLS's operating losses were greatly reduced. However, SPLS still experienced insufficient working capital as a result of accumulated losses in prior years. Large scale production will be the key factor for SPLS to turn the business around, therefore, capital-raising plan is expected to continue in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

Grandpro Technology Limited ("Grandpro")

In January 2008, the Company acquired 260 Series A-1 Preference Shares in Grandpro ("Grandpro Preference Shares") for a consideration of US$2.6 million, representing approximately a 2.17% equity stake. On August 1, 2008, the Grandpro Preference Shares were enlarged to 2,600,000 shares subsequent to a sub-division of Grandpro's shares to US$0.0001 per share. Pursuant to investment terms, Grandpro Preference Shares are convertible into ordinary shares of Grandpro upon listing of its shares on a recognized stock exchange or are redeemable at cost plus accrued interest at 10% per annum should listing of its shares not be consummated by the end of 2010. The performance of redemption is guaranteed by the controlling shareholder of Grandpro, Shanda Interactive Entertainment Limited ("SNDA"), a company listed on the NASDAQ, USA.

Grandpro was incorporated in the British Virgin Islands as a limited liability company in 2004. Its wholly-owned subsidiary, Grandpro Information Technology (Shanghai) Company Limited ("GITS"), and another entity Shanghai Holdfast Online Information Technology Co., Ltd. ("Holdfast"), are collectively referred to as the "Haofang Group". Both companies are registered in the PRC with their main operations in Pudong, Shanghai.

Haofang Group is principally engaged in the development and operation of online games platform. Haofang Group had developed from its core electronic games platform to become an integrated internet platform encompassing media, entertainment, on-line games, anti-virus, advertising and discussion forum services.

After a year of hard work in 2009, Haofang league union net was officially established in October, representing the first China official league union. Up to November, 400 unions has joined, with total users exceeding 1.8 million as it continues to grow. Haofang Group will continue to develop add-on functions for the union community by bringing in more suitable community external games, to enrich the content of the community and thereby generating higher revenues from the gaming platform.

As at December 31, 2009, the fair value of Grandpro Preference Shares is US$3,100,500, reflecting a fair value gain of US$500,500 in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

UNLISTED INVESTMENTS REVIEW *(Cont'd)*

Global Market Group Limited ("GMG")

In March 2008, the Company acquired 1,530,769 Series B Preferred Shares in GMG ("GMG Preferred Shares") for a consideration of US$5 million. In November 2009, the GMG Preferred Shares were enlarged to 38,269,225 shares subsequent to a sub-division of GMG's shares to US$0.0004 per share. The Company's investment represented approximately 8.47% equity interest in GMG. The GMG Preferred Shares are convertible into ordinary shares of GMG upon the listing of its shares on a recognized stock exchange or are redeemable at 100% should listing of its shares not be consummated by the end of 2011, with an interest of 8% p.a. as from that date, payable over the subsequent three years.

GMG is a leading B2B internet trading service provider in the PRC. It focuses on providing an international trading service platform for high-end quality export manufacturers in China and international buyers.

Owing to the impact from the financial crisis on the global economy, exports from China had fallen in 2009, which affected both the B2B and logistics segments. GMG strengthened its selling strategy with focuses on furniture, hardware and building materials industries. Riding on the export recovery in the second half of 2009, GMG's revenue from B2B had a significant increase. However, the logistics segment continued with a net operating loss, the management of GMG shall consider suitable solutions.

GMG has not implemented its listing plan at end of 2009.

EXIT OF AN UNLISTED INVESTMENT

Shanghai Lian Ji Synthetic Fiber Co., Ltd. ("Lian Ji")

Since 1995, the Company invested US$6,275,000 in exchange for a 15% equity interest in Lian Ji. Subsequent to the Company's 3% share sale to the other two shareholders in 2002, Lian Ji's board of directors resolved to distribute that portion of accumulated profits reserved for future expansion and/or repairs and maintenance to all shareholders, who in turn agreed to apply their respective entitlements to re-invest in Lian Ji's Phase III capacity expansion. As a result, the Company's investment in Lian Ji was adjusted to US$6,121,600, representing 11.1% of the enlarged share capital. Due to persistent operating losses and huge bank loans, this investment was fully impaired in 2005. The Investment Manager have been making efforts in exiting this investment since then.

After protracted negotiations in 2009, the Company finally reached an agreement with the key shareholder of Lian Ji on a complete transfer of the Company's 11.1% equity interest for a consideration of RMB3 million. The share transfer was completed at the end of 2009 with the sale proceeds of US$439,354 received in January 2010. A realized gain of US$435,400 was recorded for 2009. Taking into account of prior years' dividends and sale proceeds received, the Company recorded a net return of 64.4% on this investment.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Ching *(RC)*

Aged 55, was appointed as an Executive Director of the Company and the Managing Director of Shanghai International Asset Management (Hong Kong) company Limited (the "Investment Manager") in July 2007. Dr. Wang is currently registered as one of the responsible officers of the Investment Manager with the Securities and Futures Commission ("SFC").

Dr. Wang has over 16 years' managerial experience in investment banking, securities, treasury and fund management sectors in the Unites States, Taiwan, Hong Kong and the PRC, with a wealth of experience in the securities and venture capital industries.

Prior to joining the Company, Dr. Wang was the Chief Executive of Investment and Proprietary Trading Group of Jih Sun Financial Holding Company Limited of Taiwan and Managing Director of J S Cresvale International Securities Limited in Hong Kong from 2003 to 2006. He was the Managing Director of SinoPac Securities (Asia) Limited in Hong Kong from 2001 to 2003. Dr. Wang was also a senior manager and a director of the Investment Banking Division of Standard Chartered Bank from 1996 to 1998. When he was with Jih Sun Securities Co., Ltd. in Taiwan since 1998, he was responsible for establishing its fund management business in Hong Kong and raised a private equity fund and two venture capital funds in 1999. Dr. Wang is also an independent non-executive director of Minth Group Limited, China Singyes Solar Technologies Holdings Limited and Yingdes Singyes Gases Group Company Limited, all of them are listed on The Stock Exchange of Hong Kong Limited.

Dr. Wang received his baccalaureate degree majoring in Economics from the National Taiwan University in 1977. He obtained his Masters of Business Administration from the University of Houston in 1985 and was conferred the doctorate in Finance from Columbia University in 1992.

WU Bin *(RC)*

Aged 36, was appointed as an Executive Director of the Company and Deputy Managing Director of the Investment Manager in May 2007. Mr. Wu is currently registered as one of the responsible officers of the Investment Manager with the SFC.

Prior to joining the Company, Mr. Wu was the Assistant General Manager of Center for International Business Management with Shanghai International Group Co., Ltd. ("SIG") since 2006. Before that, he had been the Assistant General Manager of Investment Banking Department with Shanghai International Trust Corporation Ltd. ("SITCO") since 2004, which is a subsidiary company of SIG and one of the substantial shareholders of the Company. From 1996 to 2004, he had held senior positions with foreign banking and securities institutions in the PRC. Mr. Wu has over 11 years' managerial experience in banking, securities and trust investment sectors in PRC.

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

RC-Remuneration Committee
AC-Audit Committee

BIOGRAPHICAL DETAILS OF DIRECTORS

HUA Min *(AC and RC)*

Aged 60, has been an Independent Non-Executive Director of the Company since September 2004. Dr. Hua graduated from Fudan University with a Bachelor's degree in Economics and holds a Doctorate in World Economics from Fudan University. He is currently Chairman of the Institute of World Economy, Chief of World Economics Department and Chief of Academic Committee of Fudan University. Dr. Hua is an advisor for doctoral candidates. He has been teaching and conducting research in world economics, China economics and finance at Fudan University since 1990. He is also an advisor to the Policy-Making Committee of the Shanghai Municipal government.

ONG Ka Thai *(AC and RC)*

Aged 55, has been an Independent Non-Executive Director of the Company since June 1997 and Chairman of the RC. Mr. Ong is currently the Chairman of various companies including Ong Pacific (H.K.) Ltd., Ong First Tradition Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd. These companies are third parities independent of the Company and connected persons of the Company. Mr. Ong holds a Bachelor of Arts degree in Economics from the University of California at Los Angeles.

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

Mr. Ong has over 33 years of experience in manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investments.

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

Aged 52, has been an Independent Non-Executive Director of the Company since July 1999 and Chairman of the AC. Mr. Yick holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 27 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 Travelsky Technology Limited, Shenzhen Neptunus Interlong Bio-technique Co., Ltd. and China Singyes Solar Technologies Holdings Limited (all are listed on The Stock Exchange of Hong Kong Limited); Mr. Yick is also an independent non-executive director and Chairman of the audit committee of China-Biotics, Inc., (a company listed on the NASDAQ Global Market in the USA). Mr. Yick had been an independent non-executive director and Chairman of Beijing Centergate Technologies (Holding) Co., Ltd. (a company listed on The Shenzhen Stock Exchange in the PRC) until December 2009 when he was subject to retirement.

BIOGRAPHICAL DETAILS OF DIRECTORS

CHEN Chi-chuan *(AC)*

Aged 52, has been a Non-Executive Director of the Company and a director of the Investment Manager since March 2003. Mr. Chen joined the Ruentex Group in Taiwan since 1987 and is currently the Vice President of Hei Hong Investment Co., Ltd., with responsibilities for all equity investment activities in Asia. Mr. Chen holds a Master's degree in Business Administration from the National Taiwan University.

LEE Tien-chieh

Aged 50, has been a Non-Executive Director of the Company since March 2005. Mr. Lee graduated with a Bachelor's degree in Business Management from the Tatung Institute of Technology of Taiwan, and has over 19 years of experience in financial management. Mr. Lee is currently the Vice President of the Finance Division of Ruentex Industries Limited, which is a substantial shareholder of the Company.

LIN Bin

Aged 54, has been a Non-Executive Director of the Company since March 2007. He is currently Chairman and one of the licensed responsible officers of the Investment Manager, registered with the SFC.

Mr. Lin has been the Deputy General Manager of SITCO since May 2003. He joined SITCO in 1984 and has held numerous positions including General Manager of SITCO Trading Pudong Inc., Deputy General Manager of Financial Division II and Trust Division III of SITCO and General Manager of SITCO Financial Services Centre. He has more than 20 years of experience in trading, securities, trust and financial services areas in the PRC.

Mr. Lin did a tour of study at the University of Illinois at Urbana-Champaign and holds an executive Master in Business Administration degree from the China-Europe International Business School.

TSENG Ta-mon

Aged 51, has been a Non-Executive Director of the Company since March 2005. Mr. Tseng is a Barrister-at-Law. He is a law graduate from the National Chengchi University, Taiwan, and holds a Master's degree in Law from London University, a Bachelor's degree in Arts from Cambridge University and was called to the English Bar in 1985. Since 1993, Mr. Tseng is Special Assistant to the President and heads the legal department of the Ruentex Group of Companies in Taiwan and is currently an alternate director of APT Satellite Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report contains information for the year ended December 31, 2009 and was prepared in accordance with Appendix 23 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board is committed to maintain sound corporate governance standard 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.

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code") was introduced on January 1, 2005. The Board has reviewed the CG Code and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended December 31, 2009, the Company has complied with all of the provisions under the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors comply with the Model Code during the financial year ended December 31, 2009.

INTERNAL CONTROL REVIEW

The Company's system of internal controls was reviewed and reported to the Board during the second half of 2009 by an independent qualified accountant. The resultant Internal Audit Report, which had been reviewed by the Audit Committee and the Board, concluded that the internal control environment is satisfactory and the management of the Investment Manager generally followed the guidelines and procedures laid down by the Board.

BOARD OF DIRECTORS

The Board has overall responsibility for the stewardship of the Company, which includes the adoption of long term corporate strategies, assessment of investment projects, supervision of the management 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") signed between the Company and the Investment Manager, details of which are set out on pages 26 to 27 under the heading "Investment Management and Administration Agreement and Continuing Connected Transactions".

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Cont'd)*

Composition

The Board comprises nine Directors of whom two are Executive Directors, four are Non-Executive Directors and three are Independent Non-Executive Directors. Certain change in directorship occurred during 2009 and this is reflected under "Corporate Information" at the beginning of this report and the Directors' Report. There is no designated Chairman of the Board. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' respective biographical information is set out on pages 16 to 18 under the heading "Biographical Details of Directors".

The Board held four Board meetings during the 2009 financial year. Appropriate and sufficient information were provided to Board members in a timely manner to keep them abreast of the Company's latest developments in assisting them to discharge their duties. Attendance of individual Directors at Board meetings during the year ended December 31, 2009 was:

Number of meetings held			Four (4)
Name of Director	**Attendance**	**Name of Director**	**Attendance**
Dr. Wang, Ching	4/4	Mr. Chen, Chi-chuan	4/4
Mr. Wu, Bin	4/4	Mr. Lee, Tien-chieh	4/4
Dr. Hua, Min	3/4	Mr. Lin, Bin	4/4
Mr. Ong, Ka Thai	4/4	Mr. Tseng, Ta-mon	1/4
Mr. Yick, Wing Fat Simon	4/4	Mr. Cai, Nongrui (retired on May 8, 2009)	2/4

As at December 31, 2009, Certain Directors of the Company, namely Dr. Wang Ching, Mr. Wu Bin and Mr. Lin Bin are also directors of the Company's Investment Manager. Certain Directors of the Company, namely Mr. Chen Chi-chuan, Mr. Lee Tien-chieh and Mr. Tseng Ta-mon, are also directors of the Ruentex Group of companies, a group of corporate entities based in Taiwan, some of which are substantial shareholders of the Company as at December 31, 2009. Details of such relationships are set out on pages 29 to 30 under the heading "Substantial Shareholders".

Save as disclosed above, to the best knowledge of the Company, there is no financial, business or family relationship among members of the Board as at December 31, 2009. All of them are free to exercise their individual judgment.

BOARD OF DIRECTORS *(Cont'd)*

Retirement and re-election of Directors

1. Any Director appointed by the Board, either to fill a vacancy or as an addition, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election by ordinary resolution.

2. 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.

3. Directors are subject to retirement by rotation at least once every three years or such other period as the recognized stock exchange may from time to time prescribe.

4. The Directors to retire by rotation shall include any Director who wishes to retire and does not offer himself for re-election.

5. 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.

Independent Non-Executive Directors

Each of the Independent Non-Executive Directors has filed a written confirmation to the Company confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change in circumstances which may affect their independence. Each of the Independent Non-Executive Directors has entered into respective service contracts with the Company for a term of two years with specific terms of reference and remunerated at HK$100,000 per year. No other Directors have service contracts with the Company or received remuneration from the Company.

NOMINATION PROCEDURES AND CRITERIA

The Company has yet to appoint a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange.

Current practice to appoint new directors is that all valid nomination of candidates, accompanied with details of their biographical backgrounds, for directorships in the Company would be presented to the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Company's business. It is believed that members of the Board collectively would have the required professional knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has delegated specific responsibilities and duties to the following committees to ensure the Company's best corporate governance practices:

AUDIT COMMITTEE

Composition

The Company has established an Audit Committee since 1999 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of all three Independent Non-Executive Directors and one Non-Executive Director. Two meetings were held during the 2009 financial year. Members of the Audit Committee for the year ended December 31, 2009 and their respective attendance at such meetings was:

Number of meetings held			Two (2)
Name of Director	**Attendance**	**Name of Director**	**Attendance**
Mr. Yick, Wing Fat Simon *(Chairman)*	2/2	Dr. Hua, Min	1/2
Mr. Ong, Ka Thai	2/2	Mr. Chen, Chi-chuan	2/2

Role and Function

The primary duties of the Audit Committee are to ensure the accuracy, completeness, objectivity and credibility of the Company's financial reporting and internal control procedures.

The Audit Committee is to review the Company's interim and annual financial statements and to make recommendations for the approval of such interim and annual financial statements by the Board. External auditors were present in all Audit Committee meetings and participated in discussions as to the adequacy and effectiveness of the Company's internal control and management information system. Members of the Audit Committee have complete and unrestricted access to the external auditors and senior staff of the Company for information.

During 2009, the Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with the management the internal controls and financial reporting matters. It has also reviewed the half-year results for the period ended June 30, 2009 and the annual results for the year ended December 31, 2009 of the Company before their respective announcements.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

Composition

The Company formulated written terms of reference for its Remuneration Committee conforming to requirements of the Listing Rules. The Remuneration Committee consists of all three Independent Non-Executive Directors and the two Executive Directors, namely Mr. Ong, Ka Thai (Chairman), Mr. Yick, Wing Fat Simon, Dr. Hua, Min, Dr. Wang, Ching and Mr. Wu, Bin. One meeting was held during the 2009 financial year, which was attended by all its members. In 2009 the Remuneration Committee has reviewed current remuneration policies of the Company for its staff member, the external auditors and that of its Independent Non-Executive Directors by reference to market comparables. No remuneration is determined for Executive Directors and other Non-Executive Directors.

Role and Function

The Remuneration Committee is to ensure formal and transparent procedures to develop remuneration policies and to oversee remuneration packages of the Company's Directors. It takes into consideration such factors like salaries and compensation packages paid by comparable companies, time commitment and responsibilities required of Directors. Its function also encompasses examination of the appropriateness of emoluments offered to concerned individuals for their duties and performance and whether such emoluments are competitive and conducive to retain the services of such individuals.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's financial statements, is set out in the Independent Auditors' Report on pages 32 to 33.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended December 31, 2009, services provided to the Company by its external auditors, Deloitte Touche Tohmatsu, and the respective fees paid were:

	2009
	US$
Audit services	**26,338**
Taxation compliance and other services	**16,850**
	43,188

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended December 31, 2009.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended December 31, 2009 are set out in the statement of comprehensive income on page 34.

The Board proposes the payment of a special final dividend of US$0.10 per share in cash from the Company's share premium account for 2009 to shareholders on its register of members on May 11, 2010, amounting to US$890,500.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2009 were as follows:

	2009	2008
	US$	US$
Share premium	**23,643,435**	24,533,935
Accumulated losses	**(2,207,132)**	(1,487,307)
Capital reserve	**(875,964)**	(2,316,543)
	20,560,339	20,730,085

Under the Company Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution.

However, as required by the Company's Articles of Association, gains and losses on realization and revaluation of investments in securities and assets shall not be available for distribution as dividend. Therefore, those gains and losses, fair value changes and impairment losses on investments in securities and assets recognized in the statement of comprehensive income are transferred to the capital reserve in the period in which they arise.

DIRECTORS' REPORT

INVESTMENTS

Details of the Company's holdings of listed investments and unlisted investments as at December 31, 2009 are set out on page 9 and 11 respectively.

DIRECTORS

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

Executive Directors:
Dr. WANG Ching
Mr. WU Bin

Independent Non-Executive Directors ("INEDs"):
Dr. HUA Min
Mr. ONG Ka Thai
Mr. YICK Wing Fat, Simon

Other Non-Executive Directors:
Mr. CHEN Chi-chuan
Mr. LEE Tien-chieh
Mr. LIN Bin
Mr. TSENG Ta-mon
Mr. CAI Nongrui (retired on May 8, 2009)

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

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

DIRECTORS' SERVICE CONTRACTS

Except for all the INEDs who entered into service contracts with the Company each with an annual remuneration of HK$100,000, no other Directors have a service contract with the Company or received remuneration from the Company.

DIRECTORS' REPORT

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by Shanghai International Asset Management (H.K.) Co., Ltd. (the "Investment Manager"), in accordance with the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager dated November 12, 1993, as supplemented by supplemental agreements dated January 22, 2001, September 12, 2001, November 3, 2003, April 11, 2005 and March 28, 2008 respectively (collectively referred to as the "Supplemental Agreements"). The Company has to fully comply with the connected transaction requirements under the Listing Rules in respect of investment management and administration services (the "Transactions") to be provided by the Investment Manager to the Company pursuant to the aforesaid Investment Management Agreement.

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 the fees payable to the Investment Manager, the investment adviser and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter. The Investment Manager is entitled to an incentive fee equal to 15% of the amount on top and above that portion of the net asset value of each of the assets which represent listed securities (the "Listed Investment Portfolio") or assets which represent unlisted securities or interest (the "Unlisted Investment Portfolio") as at December 31 of each year exceeding 115% of that portion of the net asset value of the respective Listed Investment Portfolio or Unlisted Investment Portfolio as at December 31 of the immediately preceding year. The incentive fee so determined and the payment thereof to the Investment Manager in respect of the Listed Investment Portfolio or the Unlisted Investment Portfolio shall be independent of each of such portfolios.

Since the Company pays annual and in particular special dividends to its shareholders, which permanently reduced the net asset value, the Company and the Investment Manager agreed that with effect from June 30, 2003, no incentive fee shall be payable to the Investment Manager if the net asset value per share of the Company at December 31 of the relevant year is less than US$6.20, and thereafter such threshold shall be adjusted annually according to the actual amount of special dividends paid out during the immediately preceding year(s) and that any such adjustments shall be approved by the Board in accordance with the Articles of the Company. The threshold is now adjusted to US$2.50 subsequent to special dividend payouts in 2004 to 2009.

During the year ended December 31, 2009, investment management and administration fees of US$423,777 were paid to the Investment Manager.

DIRECTORS' REPORT

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

On March 28, 2008, the Company and the Investment Manager entered into a Fifth Supplemental Agreement, which was approved by the independent shareholders of the Company at the annual general meeting held on April 28, 2008. The terms were amended as follows:

- The appointment of the Investment Manager is extended for a term of 3 years commencing from July 1, 2008 and either the Investment Manager or the Company can terminate the appointment by giving not less than two months notice in writing to either party; and

- The incentive fee is to be calculated at 15% of the excess amount by which the net asset value as at December 31 of each year of the term of the Investment Management Agreement exceeds 115% of the net asset value as at December 31 of the immediately preceding year. The actual amount of special dividends (if any) paid out by the Company during the year shall be deducted from the net asset value of the Company as at 31 December of the immediately preceding year when calculating the growth of the net asset value of the Company; and

- With effect from July 1, 2008, after adjustment on payments of special dividend in each year from 2004 to 2008, no incentive fee shall be payable to the Investment Manager if the net asset value per share of the Company at 31 December of the relevant year is less than US$2.60. Thereafter such threshold shall be adjusted annually (or such other period as the Board deems appropriate) according to the actual amount of special dividends paid out during the immediately preceding year(s). Any such adjustments shall be approved by the Board in accordance with the Articles; and

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

  - Not exceeding US$400,000 from July 1, 2008 to December 31, 2008

  - Not exceeding US$1,800,000 for the year of 2009

  - Not exceeding US$2,000,000 for the year of 2010

  - Not exceeding US$2,800,000 from January 1, 2011 to June 30, 2011

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Company. The auditor has reported their factual findings on these procedures to the Board of Directors. The Independent Non-Executive Directors have reviewed the Transactions and the report of the auditor and confirmed that (i) the Transactions have been entered into by the Company in the ordinary and usual course of its business, and in accordance with the terms and conditions of the Investment Management Agreement and the Supplemental Agreements thereto, and (ii) the consideration of the Transactions for the year ended December 31, 2009 does not exceed the New Cap specified in the Fifth Supplemental Agreement.

As at December 31, 2009, Dr. WANG Ching, Mr. WU Bin and Mr. LIN Bin are also directors of the Investment Manager.

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

None of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at December 31, 2009.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than the Investment Management Agreement described above, no contracts of significance to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time 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.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

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

Name	Capacity	Number of shares	Percentage of total issued shares	*Notes*
Mr. Bart M. Schwartz	Receiver of Gabriel Capital, L.P. and Ariel Fund Limited	1,068,657	12.00%	*(1)*
Mr. J. Ezra Merkin	Held by controlled corporation	494,843	5.56%	*(1)*
Gabriel Capital Corporation	Held by controlled corporation	1,131,841	12.71%	*(1)*
Ariel Fund Limited	Beneficial owner	636,998	7.15%	*(1)*
Mr. Hsu Sheng-yu	Held by controlled corporation	1,071,040	12.02%	*(2)*
Chung Chia Co., Ltd.	Beneficial owner	598,743	6.72%	*(2)*
Kwang Shun Co., Ltd.	Beneficial owner	472,297	5.30%	*(2)*
Ms. Hsu Tsui-hua	Held by controlled corporation	598,743	6.72%	*(3)*
Ms. Chang Hsiu-yen	Held by controlled corporation	472,297	5.30%	*(4)*
Shanghai International Group Corporation Ltd.	Held by controlled corporation	495,000	5.56%	*(5)*
Shanghai International Trust Corporation Ltd.	Beneficial owner	495,000	5.56%	*(5)*
Dover Street VI L.P.	Beneficial owner	500,000	5.61%	
Ruentex Industries Ltd.	Beneficial owner and held by controlled corporation	584,752	6.57%	*(6)*
Ruentex Development Co., Ltd.	Beneficial owner and held by controlled corporation	555,752	6.24%	*(7)*

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Notes:

(1) Mr. Bart M. Schwartz was appointed on May 29, 2009 as the receiver of Gabriel Capital, L.P. and Ariel Fund Limited, each of them were holding 431,659 shares and 636,998 shares of the Company respectively. Mr. J. Erza Merkin's indirect interests in the Company were 494,843 shares by virtue of his 100% control over Gabriel Capital Corporation. Besides, Gabriel Capital Corporation was also deemed to be indirectly interested in the Company through its management of Ariel Fund Limited.

(2) Mr. Hsu Sheng-yu has an indirect interest in the Company through his 50% beneficial interest in each of Chung Chia Co. Ltd., and Kwang Shun Co., Ltd..

(3) Ms. Hsu Tsui-hua has an indirect interest in the Company through her 50% beneficial interest in Chung Chia Co., Ltd..

(4) Ms. Chang Hsiu-yen has an indirect interest in the Company through her 50% beneficial interest in Kwang Shun Co. Ltd..

(5) Shanghai International Group Corporation Ltd. has an indirect interest in the Company through its approximately 66.33% equity interest in Shanghai International Trust Corporation Ltd.

(6) Apart from a direct holding of 257,000 shares in the Company, Ruentex Industries Limited has held indirect interest in the Company through its 100% ownership in Full Shine International Holdings Ltd..

(7) Apart from a direct holding of 228,000 shares in the Company, Ruentex Development Co., Ltd has an indirect interest in the Company through its 100% ownership in Ruentex Construction International (BVI) Ltd..

Other than disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at December 31, 2009.

MAJOR CUSTOMERS AND SUPPLIERS

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

EMOLUMENT POLICY

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended December 31, 2009, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company's Audit Committee has been established since 1999 and currently comprises Mr. YICK Wing Fat Simon (Chairman), Mr. ONG Ka Thai, Dr. HUA Min and Mr. CHEN Chi-chuan, all of whom are Non-Executive Directors of the Company, with three of them being independent. The terms of reference based on "A Guide for Effective Audit Committees" were adopted by the Board to confer the authority and duties of the Audit Committee. It meets at least twice annually with the external auditor to discuss the interim results and annual audit.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with the management the internal controls and financial reporting matters.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of its INEDs are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

AUDITOR

A resolution will be proposed to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
WANG Ching
Director

Hong Kong, March 12, 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Shanghai International Shanghai Growth Investment Limited (the "Company") set out on pages 34 to 61, which comprise the statement of financial position as at December 31, 2009, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at December 31, 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 12, 2010

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	Notes	2009 US$	2008 US$
Investment income	7	**19,670**	113,202
Gain and loss on investments			
Gain (loss) on sale of investments in listed securities		**483,693**	(587,960)
Gain on sale of investment in unlisted securities	16	**435,400**	–
Impairment loss recognized in respect of an investment in listed securities	9	**–**	(446,605)
Fair value gain on an investment in redeemable convertible preference shares	18	**500,500**	–
Exchange (loss) gain		**(3,088)**	83,828
		1,416,505	(950,737)
Operating expenses			
Investment Manager's fee	24	**(423,777)**	(740,183)
Administrative expenses			
Directors' emoluments	10	**(38,709)**	(38,583)
Other expenses	11	**(273,921)**	(385,640)
		(736,407)	(1,164,406)
Profit (loss) for the year		**699,768**	(2,001,941)
Other comprehensive income (expense)			
Fair value gain (loss) of available-for-sale financial assets		**504,679**	(2,644,005)
Reclassification adjustments for cumulative (gain) loss included in profit and loss upon disposal of available-for-sale financial assets		**(483,693)**	587,960
Impairment loss recognized in respect of available-for-sale financial assets		**–**	446,605
Other comprehensive income (expense) for the year		**20,986**	(1,609,440)
Total comprehensive income (expense) for the year		**720,754**	(3,611,381)
Earnings (loss) per share – Basic	14	**7.9 cents**	(22.5 cents)

STATEMENT OF FINANCIAL POSITION

At December 31, 2009

	Notes	2009 US$	2008 US$
Non-current assets			
Interest in an associate	15	**2,572,388**	2,573,161
Investments in unlisted securities	16	**2,500,000**	2,500,000
Investments in listed securities	17	**389,306**	268,995
Investments in redeemable convertible preference shares	18	**5,000,000**	7,600,000
		10,461,694	12,942,156
Current assets			
Investments in redeemable convertible preference shares	18	**3,100,500**	–
Other receivables and prepayments		**148,296**	149,929
Consideration receivable from disposal of listed securities	19	**–**	125,649
Consideration receivable from disposal of unlisted securities	16	**439,354**	–
Bank balances	20	**7,455,137**	8,568,022
		11,143,287	8,843,600
Current liabilities			
Accrued charges		**27,942**	41,429
Amount due to Investment Manager	24	**126,200**	123,742
		154,142	165,171
Net current assets		**10,989,145**	8,678,429
		21,450,839	21,620,585
Capital and reserves			
Share capital	21	**890,500**	890,500
Reserves		**20,560,339**	20,730,085
		21,450,839	21,620,585
Net asset value per share	22	**2.41**	2.43

The financial statements on pages 34 to 61 were approved and authorized for issue by the Board of Directors on March 12, 2010 and are signed on its behalf by:

WANG Ching	**TSENG Ta-mon**
Director	*Director*

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

	Share capital US$	Share premium US$	Capital reserve US$	Retained earnings (accumulated losses) US$	Total US$
At January 1, 2008	890,500	26,314,935	327,462	(519,931)	27,012,966
Fair value changes of available-for-sale investments *(Note i)*	–	–	(2,644,005)	–	(2,644,005)
Realized on disposal of securities	–	–	587,960	–	587,960
Impairment loss recognized in respect of listed securities	–	–	446,605	–	446,605
Loss for the year	–	–	–	(2,001,941)	(2,001,941)
Total comprehensive expense for the year	–	–	(1,609,440)	(2,001,941)	(3,611,381)
Transfers to capital reserve *(Note ii)*					
– Impairment loss recognized in respect of listed securities	–	–	(446,605)	446,605	–
– Loss on sale of investments in listed securities	–	–	(587,960)	587,960	–
Dividend recognized as distribution *(Note 13)*	–	(1,781,000)	–	–	(1,781,000)
At December 31, 2008	**890,500**	**24,533,935**	**(2,316,543)**	**(1,487,307)**	**21,620,585**
Fair value changes of available-for-sale investments *(Note i)*	**–**	**–**	**504,679**	**–**	**504,679**
Realized on disposal of listed securities	**–**	**–**	**(483,693)**	**–**	**(483,693)**
Profit for the year	**–**	**–**	**–**	**699,768**	**699,768**
Total comprehensive income for the year	**–**	**–**	**20,986**	**699,768**	**720,754**
Transfers to capital reserve *(Note ii)*					
– Gain on sale of investments in securities	**–**	**–**	**919,093**	**(919,093)**	**–**
– Fair value changes of investments in redeemable convertible preference shares	**–**	**–**	**500,500**	**(500,500)**	**–**
Dividend recognized as distribution *(Note 13)*	**–**	**(890,500)**	**–**	**–**	**(890,500)**
At December 31, 2009	**890,500**	**23,643,435**	**(875,964)**	**(2,207,132)**	**21,450,839**

Notes:

i. For securities that are classified as available-for-sale investments, fair value changes are dealt with in other comprehensive income or expense until the security is sold or determined to be impaired, at which time the cumulative gain or loss will be included in the profit or loss.

ii. As required by the Company's Articles of Association, gains and losses on realization and revaluation of investments in securities and assets shall not be available for distribution as dividend. Therefore, those gains and losses, fair value changes and impairment losses on investments in securities and assets recognized in profit or loss are transferred to the capital reserve in the period in which they arise.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	2009 US$	2008 US$
Operating activities		
Profit (loss) for the year	**699,768**	(2,001,941)
Adjustments for:		
Interest income	**(2,985)**	(57,049)
Dividend income	**(16,685)**	(56,153)
(Gain) loss on sale of investments in listed securities	**(483,693)**	587,960
Gain on sale of investments in unlisted securities	**(435,400)**	–
Impairment loss recognized in respect of listed securities	**–**	446,605
Fair value changes of investments in redeemable convertible preference shares	**(500,500)**	–
Share of results of an associate	**773**	140
Operating cash flows before movements in working capital	**(738,722)**	(1,080,438)
Decrease in other receivables and prepayments	**1,633**	30,491
Decrease in accrued charges	**(13,487)**	(44,023)
Increase (decrease) in amount due to Investment Manager	**2,458**	(25,718)
Cash used in operations	**(748,118)**	(1,119,688)
Interest received	**2,985**	57,049
Dividend received	**16,685**	56,153
Net cash used in operating activities	**(728,448)**	(1,006,486)
Investing activities		
Proceeds from disposal of securities	**4,993,331**	9,477,884
Purchase of securities	**(4,487,268)**	(2,784,424)
Purchase of redeemable convertible preference shares	**–**	(7,600,000)
Net cash generated from (used in) investing activities	**506,063**	(906,540)
Financing activity		
Dividends paid	**(890,500)**	(1,781,000)
Net decrease in cash and cash equivalents	**(1,112,885)**	(3,694,026)
Cash and cash equivalents at beginning of the year	**8,568,022**	12,262,048
Cash and cash equivalents at end of the year representing bank balances	**7,455,137**	8,568,022

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and the Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company.

The financial statements are presented in United States dollars ("US$") and the functional currency of the Company is Hong Kong dollars ("HK$"). The Company presents the financial statements in US$ as it is the currency which management uses to review the Company's operation.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Company for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Company's reportable segments (see note 8).

Improving disclosures about financial instruments (amendments to HKFRS 7 Financial instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Company has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

The Company has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC)* – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after July 1, 2009.
2 Amendments that are effective for annual periods beginning on or after July 1, 2009 and January 1, 2010, as appropriate.
3 Effective for annual periods beginning on or after January 1, 2010.
4 Effective for annual periods beginning on or after February 1, 2010.
5 Effective for annual periods beginning on or after July 1, 2010.
6 Effective for annual periods beginning on or after January 1, 2011.
7 Effective for annual periods beginning on or after January 1, 2013.

* IFRIC represents the International Financial Reporting Interpretations Committee.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company's financial assets.

The directors of the Company (the "Directors") anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investment in securities is recognized when the Company's rights to receive payment have been established.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associates, less any identified impairment loss. When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in associates *(Cont'd)*

Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Company transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets

The Company's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, consideration receivable from disposal of an investment and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Company designated investments in listed securities and unlisted securities as available-for-sale financial assets.

(i) Investments in listed securities

The Company's investments in listed equity securities are available-for-sale equity investments measured at fair value. Changes in fair value are recognized in other comprehensive income and accumulated in capital reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in capital reserve is removed from capital reserve and recognized in profit or loss.

(ii) Investments in unlisted securities

Investments in unlisted securities are available-for-sale equity investments measured at fair value. Changes in fair value are recognized in other comprehensive income and accumulated capital reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in capital reserve is removed from capital reserve and recognized in profit or loss. Investments in unlisted securities which fair values cannot be reliably measured are stated at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition.

As required by the Company's Articles of Association, gains and losses on realization and revaluation of investments in securities and assets shall not be available for distribution as dividend. Therefore, those gains and losses of sale, fair value changes and impairment losses on investments in securities and assets recognized in profit or loss are transferred to the capital reserve in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including amount due to Investment Manager is subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Fair value of investments in redeemable convertible preference shares

The directors of the Company use their judgements in selecting an appropriate valuation technique for investments in redeemable convertible preference shares. Valuation techniques commonly used by market practitioners are applied. Preference Shares in Grandpro with fair value of US$3,100,500 are valued using a discounted cash flow analysis. Preference Shares in GMG of US$5,000,000 is stated at cost less impairment, if any, at December 31, 2009, because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 **US$**	2008 US$
Financial assets		
Designated as at fair value through profit or loss ("FVTPL")	**8,100,500**	7,600,000
Available-for-sale financial assets	**2,889,306**	2,768,995
Loans and receivables (including cash and cash equivalents)	**7,894,491**	8,693,671
Financial liabilities		
Amortized cost	**126,200**	123,742

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. FINANCIAL INSTRUMENTS *(Cont'd)*

Financial risk management objectives and policies

The Company's major financial instruments include investments in listed, unlisted securities and redeemable convertible preference shares, consideration receivable from disposal of an investment, bank balances and amount due to Investment Manager. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Company is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets which are mainly variable rate bank balances of US$7,455,137 (2008: US$8,568,022).

Management has employed a treasury team to closely monitor interest rate movement and manage 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.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. For variable-rate bank balances, the analysis is prepared assuming the amount at the end of the reporting period was the amount for the whole year. A 10 basis point increase or decrease represents management's assessment of the possible change in interest rates.

If interest rates had been 10 (2008: 50) basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2009 would increase/decrease by US$7,455 (2008: decrease/increase in loss for the year by US$8,568). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. FINANCIAL INSTRUMENTS *(Cont'd)*

Financial risk management objectives and policies *(Cont'd)*

Market risk (Cont'd)

Price risk

The Company is exposed to price risk on its investments in securities. The management manages this exposure by appointing the Investment Manager to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of the Company's investments in listed securities to equity price risks at the end of the reporting period.

If the prices of the listed securities had been 5% (2008: 20%) higher/lower, other comprehensive income for the year ended December 31, 2009 would increase/decrease by US$19,465 (2008: other comprehensive income would increase/decrease by US$53,799) for the Company as a result of the changes in fair value of investments in listed securities.

Currency risk

Certain monetary assets and liabilities of the Company including bank balances and amount due to Investment Manager and investments in redeemable convertible preference shares are denominated in RMB and US$. The Company currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The Company is mainly exposed to fluctuation in exchange rate of RMB against HK$. As HK$ is pegged to US$ the exposure to fluctuations in exchange rate of US$ is not considered to be significant and thus this effect is not considered in the sensitivity analysis below. The following analysis details the Company's sensitivity to a 8% (2008: 8%) increase and decrease in RMB against HK$.

For a 8% weakening/strengthening of RMB against HK$ and all other variables were held constant, the Company's profit for the year ended December 31, 2009 would decrease/increase by US$63,059 (2008: increase/decrease in loss for the year by US$63,052).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. FINANCIAL INSTRUMENTS *(Cont'd)*

Financial risk management objectives and policies *(Cont'd)*

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the statement of financial position.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, consideration receivable from a single counterparty in relation to the disposal of an investment as well as investments in redeemable convertible preference shares from two counter parties, the Company does not have any other significant concentration of credit risks.

In 2008, the consideration receivable from disposal of an investment is outstanding from bank with high credit rating. In 2009, the consideration receivable from disposal of an investment is outstanding from a large enterprise in PRC. In this regard, the directors of the Company considered that the Company's credit risk was significantly reduced. The amount was fully settled in January 2010.

In addition, the credit risk on investments in redeemable convertible preference shares is limited because one of the investments is supported by corporate guarantee provided by a third party, Shanda Interactive Entertainment Ltd. For the other investment, management of the Company will regularly review the financial performance of the investee company and reconsider its repayment ability by reviewing its financial information and cash flow forecast.

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Company's contractual maturity for its financial liabilities:

	2009	2008
	US$	US$
Non-interest bearing financial liabilities		
– on demand	**126,200**	123,742

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. FINANCIAL INSTRUMENTS *(Cont'd)*

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortized cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	December 31, 2009			
	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets at FVTPL				
Redeemable convertible preference shares	–	–	3,100,500	3,100,500
Available-for-sale financial assets				
Listed securities	389,306	–	–	389,306
Total	389,306	–	3,100,500	3,489,806

There were no transfers between Level 1 and 2 in the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. FINANCIAL INSTRUMENTS *(Cont'd)*

Fair values *(Cont'd)*

Reconciliation of Level 3 fair value measurements of financial assets

	Redeemable convertible preference shares US$
At January 1, 2009	**2,600,000**
Total gain in profit or loss (included in "fair value gain on investments in redeemable convertible preference shares")	**500,500**
At December 31, 2009	**3,100,500**

6. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure the Company will be able to continue as a going concern while maximizing the return to stakeholders. During the year ended December 31, 2009, the Company has been generating operating profit to sustain its operation and development while operating at loss in 2008. The Company retained sufficient bank balances for operations, as such, the Company has not raised external debt in both years. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of equity attributable to owners of the Company, comprising issued share capital and reserves during December 31, 2009 and 2008.

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.

7. INVESTMENT INCOME

	2009 US$	2008 US$
Investment income comprises:		
Dividend income from listed securities	**16,685**	56,153
Interest income from bank balances	**2,985**	57,049
	19,670	113,202

8. SEGMENT INFORMATION

The Company has adopted HKFRS 8 "Operating segments" with effect from January 1, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS14, Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Company has only one business activity, namely investment holding and operates in the Greater China only. The application of HKFRS 8 has resulted in a redesignation of the Company's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analyzed on the basis of the types of business activities and geographical segments. No segment information is presented as the Company has only one business activity, namely investment holding and operates in the Greater China only. However, information reported to the executive directors, the chief operating decision maker of the Company is more specifically focused on the categories of the investments. The Company's operating and reportable segments under HKFRS 8 are therefore as follows:

Listed securities – Investments in securities listed on Hong Kong Stock Exchange

Unlisted securities – Investments in unlisted securities including redeemable convertible preference shares and interest in an associate

Information regarding the above segments is reported below. Amounts reported for prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenues and results

The following is an analysis of the Company's results by reportable segment.

Year ended December 31, 2009

	Listed securities US$	Unlisted securities US$	Total US$
Segment result	**500,378**	**935,127**	**1,435,505**
Interest income from bank balances			**2,985**
Unallocated expenses			**(738,722)**
Profit for the year			**699,768**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. SEGMENT INFORMATION *(Cont'd)*

Segment revenues and results *(Cont'd)*

Year ended December 31, 2008

	Listed securities US$	Unlisted securities US$	Total US$
Segment result	(978,412)	(140)	(978,552)
Interest income from bank balances			57,049
Unallocated other income			83,828
Unallocated expense			(1,164,266)
Loss for the year			(2,001,941)

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment result of listed securities represents dividend income from listed securities and gain/loss on sale of investments in listed securities. Segment result of unlisted securities represents fair value gain on investments in redeemable convertible preference shares, gain on sale of investment in unlisted securities and share of results of an associate. With the nature of securities business, no segment revenue is presented.

Segment assets

The following is an analysis of the Company's assets by reportable segment:

	December 31, 2009 US$	December 31, 2008 US$
Listed securities	**389,306**	268,995
Unlisted securities	**13,172,888**	12,673,161
Total segment assets	**13,562,194**	12,942,156
Unallocated assets	**8,042,787**	8,843,600
Total assets	**21,604,981**	21,785,756

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than other receivables and prepayments, consideration receivable from disposal of securities and bank balances.

Geographical information

No geographical information is presented as the Company operates in Greater China only.

Notes to the Financial Statements

For the year ended December 31, 2009

9. IMPAIRMENT LOSS RECOGNIZED IN RESPECT OF AN INVESTMENT IN LISTED SECURITY

The impairment loss was recognized on a listed investment with significant and prolonged decline in its fair value.

10. DIRECTORS' EMOLUMENTS

Except for the directors' fee payable to the independent non-executive directors totalling US$38,709 (2008: US$38,583), none of the directors has received any emoluments for both years.

The directors' fees payable to the independent non-executive directors were as follows:

	2009	2008
	US$	US$
Dr. HUA Min	**12,903**	12,861
Mr. ONG Ka Thai	**12,903**	12,861
Mr. YICK Wing Fat, Simon	**12,903**	12,861
	38,709	38,583

The Company pays emoluments to four (2008: four) individuals only, three (2008: three) of them are directors, emoluments of which are disclosed above. The emoluments of the remaining one (2008: one) individual are disclosed in note 11.

11. OTHER EXPENSES

	2009	2008
	US$	US$
Other expenses include the following:		
Auditor's remuneration	**26,338**	27,742
Custodian fee	**9,923**	41,846
Staff salaries and other benefits	**54,807**	54,466
Retirement benefits costs *(note 23)*	**5,620**	5,597
Share of results of an associate	**773**	140

Notes to the Financial Statements

For the year ended December 31, 2009

12. TAXATION

On June 26, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profits for both years.

Taxation for the year can be reconciled to profit (loss) for the year as follows:

	2009		2008	
	US$	**%**	US$	%
Profit (loss) for the year	**699,768**		(2,001,941)	
Tax at Hong Kong Profits Tax rate	**115,462**	**16.5**	(330,320)	(16.5)
Tax effect of expenses that are not deductible for tax purposes	**76,626**	**11.0**	304,492	15.2
Tax effect of share of results of an associate	**127**	**–**	23	–
Tax effect of tax losses not recognized	**45,263**	**6.4**	58,314	2.9
Tax effect of income that is not assessable for tax purposes	**(237,478)**	**(33.9)**	(32,509)	(1.6)
Taxation for the year	**–**	**–**	–	–

At December 31, 2009, the Company has estimated unused tax losses of approximately US$4,467,000 (2008: US$4,193,000) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of taxable income in future. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting date.

13. DIVIDENDS

	2009	2008
	US$	US$
Special final dividend paid – US$0.10 (2008: US$0.20) per share paid from the share premium account	**890,500**	1,781,000

Subsequent to the end of the reporting period, special final dividend of US$0.10 per share has been proposed by the Board which is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of basic earnings (loss) per share is based on profit for the year of US$699,768 (2008: loss of US$2,001,941) and on the number of 8,905,000 (2008: 8,905,000) ordinary shares in issue during the year.

No diluted earnings per share have been presented as the Company has no potential ordinary shares outstanding during both years.

15. INTEREST IN AN ASSOCIATE

	2009 **US$**	2008 US$
Unlisted investment, at cost	**2,573,506**	2,573,506
Share of post acquisition loss	**(1,118)**	(345)
	2,572,388	2,573,161

The investment represents the Company's 22.73% equity interest in Raffles International Investment Limited ("Raffles"), a company incorporated in the British Virgin Islands. Raffles is an investment holding company, holding an investment engaged in the pharmaceutical business in the People's Republic of China ("PRC").

The summarized financial information of Raffles is set out below:

	2009 **US$**	2008 US$
Total assets	**11,322,053**	11,322,064
Total liabilities	**(4,904)**	(1,515)
	11,317,149	11,320,549
Share of net assets	**2,572,388**	2,573,161
Turnover	**–**	–
Loss for the year	**(3,400)**	(614)
Share of results of an associate for the year	**(773)**	(140)

Notes to the Financial Statements

For the year ended December 31, 2009

16. INVESTMENTS IN UNLISTED SECURITIES

	2009 **US$**	2008 US$
Investment cost	**5,122,000**	11,243,600
Less: Accumulated impairment	**(2,622,000)**	(8,743,600)
	2,500,000	2,500,000

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in countries outside Hong Kong. Unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended December 31, 2009, the Company disposed of its entire equity interest in Lian Ji Synthetic Fibre Co. Ltd. at cost of US$6,121,600 with full impairment for a consideration of US$439,354 and recognized a net gain on sale of investments of US$435,400, minus transaction costs that are attributable to the disposal of the investment. In 2009, the consideration is not yet received.

Included in unlisted securities above is the Company's investment in China Material Technology Limited ("CMT") with a carrying value of US$2,500,000 and fully impaired unlisted securities of Shanghai Hua Xin High Biotechnology Inc. and Shanghai Xinpu Transportation Co., Ltd.

CMT was incorporated in the Cayman Islands. The investment represents a 3.36% equity interest in CMT. CMT is an investment holding company of an investment engaged in the supply of construction materials in the PRC.

17. INVESTMENTS IN LISTED SECURITIES

	2009 **US$**	2008 US$
Listed securities, at fair value:		
Shares listed on Hong Kong Stock Exchange	**389,306**	268,995

The investments in listed securities are held for long-term and non-trading in nature. Fair value of the investments in listed securities have been determined by reference to bid prices quoted in active markets.

At December 31, 2008, no unrealized gain/loss from fair value changes of investments in listed securities was included in capital reserve.

At December 31, 2009, the unrealized gain from fair value changes of investments in listed securities of US$20,986 was included in capital reserve.

Notes to the Financial Statements

For the year ended December 31, 2009

18. INVESTMENTS IN REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	2009 US$	2008 US$
Series A-1 Preference Shares in Grandpro Technology Limited ("Grandpro")	**2,600,000**	2,600,000
Add: Fair value changes during the year	**500,500**	–
	3,100,500	2,600,000
Series B Preferred Shares in Global Market Group Limited ("GMG")	**5,000,000**	5,000,000
	8,100,500	7,600,000
Current	**3,100,500**	–
Non-current	**5,000,000**	7,600,000
	8,100,500	7,600,000

In 2008, the Company had acquired 2,600,000 Series A-1 Preference Shares in Grandpro (the "Grandpro Preference Shares") and 1,530,769 Series B Preferred Shares in GMG (the "GMG Preference Shares") (collectively the "Preference Shares") for a total consideration of US$7,600,000. In November 2009, the GMG Preferred Shares were enlarged to 38,269,225 shares subsequent to a sub-division of GMG's shares.

The Grandpro Preference Shares are convertible into ordinary shares of Grandpro at the option of the Company and will be automatically converted into ordinary shares of Grandpro upon listing of Grandpro on a recognized stock exchange which values Grandpro with a market capitalization of at least a certain specified amount. The Grandpro Preference Shares are redeemable after December 30, 2010 at 100% plus accrued interest at 10% per annum. The investment is classified as current as the Company intends to redeem the investment on December 31, 2010.

The GMG Preference Shares are convertible into ordinary shares of GMG at the option of the Company and will be automatically converted into ordinary shares of GMG upon listing of GMG on a recognized stock exchange which values GMG with a market capitalization of at least a certain specified amount. The GMG Preference Shares are redeemable after December 31, 2011 at 100% repayable over the subsequent three years and will bear interest at 8% per annum as from that date.

The Board is of the opinion that the chance of converting the Grandpro Preference Shares into their respective listed ordinary shares are remote as the investee companies have no firm listing plan up to the date of this report. For Grandpro Preference Shares, the fair value of the embedded conversion option is minimal. The fair value of the host loan component is determined using the discounted cash flow model. At December 31, 2009, the investment is stated at fair value of US$3,100,500 which implied a fair value gain of approximately US$500,500 to the investment cost.

For GMG Preference Shares, it is stated at cost less impairment losses, if any, at the end of the reporting period because the range of reasonable fair value estimates is so diverse that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

Notes to the Financial Statements

For the year ended December 31, 2009

19. CONSIDERATION RECEIVABLE FROM DISPOSAL OF LISTED SECURITIES

	2009	2008
	US$	US$
Consideration receivable from disposal of listed securities	–	125,649

The settlement terms of consideration receivable arising from the disposal of listed securities are two days after trade date. No aged analysis is disclosed as in the opinion of the Directors of the Company, the aged analysis does not give additional value in view of the nature of business of dealing in listed securities. The amount is fully received during the year.

20. BANK BALANCES

Bank balances carry interest at market rates which range from 0.01% to 0.11% (2008: 0.7% to 3.7%) per annum. The Company has no short term bank deposit in 2008 and 2009.

Included in the bank balances are the Renminbi bank balances equivalent to US$788,239 (2008: US$788,156) kept in a financial institution registered in the PRC.

21. SHARE CAPITAL

	Number of ordinary shares of US$0.1 each	**Share capital**
		US$
Authorized:		
At January 1, 2008, December 31, 2008 and December 31, 2009	18,000,000	1,800,000
Issued and fully paid:		
At January 1, 2008, December 31, 2008 and December 31, 2009	8,905,000	890,500

22. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at December 31, 2009 of US$21,450,839 (2008: US$21,620,585) and on the number of 8,905,000 (2008: 8,905,000) ordinary shares in issue as at December 31, 2009.

Notes to the Financial Statements

For the year ended December 31, 2009

23. RETIREMENT BENEFIT SCHEMES

The Company operates a Mandatory Provident Fund Scheme ("the Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Company in fund under the control of trustee. The Company contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

24. RELATED PARTY TRANSACTIONS

During the year, the Company had the following transactions with related parties:

	2009 **US$**	2008 US$
Investment management and administration fees paid and payable to Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager")	**423,777**	478,888
Incentive fee paid to the Investment Manager	**–**	261,295
	423,777	740,183
Amount due to Investment Manager at the end of reporting date	**126,200**	123,742

In accordance with the terms of the investment management agreement and the five supplemental agreements, the management and administration fees are calculated and payable quarterly in advance at 0.5% of the net asset value (calculated before deductions of the fees payable to the Investment Manager, the investment adviser and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

The Investment Manager is entitled to an incentive fee equal to 15% of the amount on top and above that portion of the net asset value of each of the assets which represent listed securities or assets which represent unlisted securities or interest as at December 31 of each year exceeding 115% of that portion of the net asset value of the respective Listed Investment Portfolio or Unlisted Investment Portfolio as at December 31 of the immediately preceding year.

Since the Company pays annual and in particular special dividends to its shareholders, which permanently reduced the net asset value, the Company and the Investment Manager agreed that with effect from June 30, 2003, no incentive fee shall be payable to the Investment Manager if the net asset value per share of the Company at December 31 of the relevant year is less than US$6.20, and thereafter such threshold shall be adjusted annually according to the actual amount of special dividends paid out during the immediately preceding year(s) and that any such adjustments shall be approved by the Board in accordance with the Articles of the Company. The threshold is now adjusted to US$2.50 subsequent to special dividend payouts in 2004 to 2009.

Amount due to Investment Manager is unsecured, interest free, repayable on demand and is denominated in US$.

Certain Directors of the Company are also directors of the Investment Manager.

FINANCIAL SUMMARY

	Year ended December 31,				
	2005	2006	2007	2008	**2009**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Income	8,952	2,186	5,219	197	**1,439**
Expenses	7,334	1,073	955	2,199	**739**
Profit (loss) before taxation	1,618	1,113	4,264	(2,002)	**700**
Taxation	–	–	–	–	**–**
Profit (loss) for the year	1,618	1,113	4,264	(2,002)	**700**
Earnings (loss) per share	18.2¢	12.5¢	47.9¢	(22.5¢)	**7.9¢**

	At December 31,				
	2005	2006	2007	2008	**2009**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Investments in securities	15,384	9,864	14,805	12,942	**13,562**
Others	20,539	17,853	12,208	8,678	**7,889**
Net assets	35,923	27,717	27,013	21,620	**21,451**
Net asset value per share	US$4.03	US$3.11	US$3.03	US$2.43	**US$2.41**