



# SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 770)

# 2022 ANNUAL REPORT

Investment Manager  
Shanghai International Asset Management (Hong Kong) Company Limited

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## CORPORATE INFORMATION

### DIRECTORS

#### *Executive Directors:*

Mr. ZHAO Tian  
Dr. WANG Ching (*resigned on 23 March 2022*)

#### *Independent Non-executive Directors:*

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

#### *Non-executive Director:*

Mr. LU Xuefang

### COMPANY SECRETARY

Ms. CHEUNG Yuet Fan (*appointed on 22 March 2023*)  
Ms. NG Yin Yuet Jenny (*resigned on 22 March 2023*)

### INVESTMENT MANAGER

Shanghai International Asset Management (Hong Kong)  
Company Limited

#### *In Hong Kong:*

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

#### *In Shanghai:*

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

### LEGAL ADVISERS

#### *In Hong Kong:*

Charltons Solicitors & Notary Public

#### *In the Cayman Islands:*

Maples and Calder

### AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

### CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

### SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

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

### COMPANY'S WEBSITE

<http://shanghaigrowth.etnet.com.hk>

### STOCK CODE

770

## BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present its annual report of the Company for the year ended 31 December 2022.

### REVIEW OF RESULTS

The Company recorded a net loss of US\$970,513 for the year ended 31 December 2022, compared with a net loss of US\$708,245 in 2021. The increase in net loss was due to an increase in losses on investment in listed securities as compared with last year.

The Company recorded a realised loss on disposal of listed securities of US\$480,912 for the year ended 31 December 2022 (2021: realised loss of US\$154,799) and a net change in unrealised gain on listed securities of US\$21,210 (2021: unrealised loss of US\$47,787). Dividend income from the listed investment portfolio of US\$24,016 was recorded in the reporting period as compared to US\$25,571 in the last year. As a result, the Company recorded an overall loss of US\$435,686 on listed securities investments in addition to its operating costs of US\$544,441 in 2022.

In the first half of 2022, Hong Kong Stock Market has been overshadowed by the unshakable demise of interest rate increases, worsening inflation, disruption of the global supply chain and an ongoing COVID-19 pandemic. During the second half of 2022, concerns about US inflation, tensions over Taiwan on Pelosi's visit, and a resurgence of coronavirus cases in China triggered a new sell-off in Hong Kong Stock Market, with the Hang Seng Index ("HSI") falling below 14,700 points by the end of October. The sell-off in the stock market that happened in the first ten months has put tremendous pressure on allocating investment assets among five sectors, namely: technology-related, healthcare, new energy, consumption and telecommunication & semiconductors. The Investment Manager has since resumed actively investing in the market, expecting these companies to return to healthy growth should the COVID-19 pandemic impact start to fade away. In the last two months of the fourth quarter, HSI started to rebound. The US Federal Reserve has become more dovish on interest rate hikes, which coupled with the re-opening of the COVID-related lockdown in China, has given the market a strong recovery expectation. At year's end, driven by favorable factors, the HSI went up by 34% to close at 19,781 points. For the year 2022, the HSI was down 15.5% and the Hang Seng China Enterprise Index ("HSCEI") shed 18.6%. The Company's investment portfolio of listed securities lost 14.9%, outperforming the HSI and HSCEI by 0.6% and 3.7%, respectively.

The Company's audited net asset value ("NAV") per share as of 31 December 2022 was US\$0.19, a 32% decrease as compared with US\$0.28 at the end of 2021, mainly due to negative returns on listed securities investments that were not sufficient to cover operating costs. As of 31 December 2022, the Company's share price was US\$0.176 (2021: US\$0.236), reflecting a 7.36% discount to its NAV per share.

### DIVIDEND DISTRIBUTION

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

## BOARD OF DIRECTORS' STATEMENT

### ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Ball Room, 1/F, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Wednesday, 17 May 2023 at 10:00 a.m.. Notice of annual general meeting will be published and sent to shareholders of the Company ("Shareholders") in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

### RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the right to attend and vote at the Company's annual general meeting to be held on 17 May 2023 ("2023 AGM"), the Register of Members of the Company will be closed as set out below:

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 10 May 2023
Record date	Thursday, 11 May 2023
Closure of Register of Members	Thursday, 11 May 2023 to Wednesday, 17 May 2023 (both dates inclusive)

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

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

## BOARD OF DIRECTORS' STATEMENT

### OUTLOOK FOR 2023

The turbulence of 2022 weighs heavily on the investment outlook for 2023 because most of these causes have not been properly resolved. Rarely have investors had to grapple with the kind of lessons imparted by a global economy just starting to emerge from a pandemic, while dealing with unprecedented monetary policy measures and a major land war in Europe.

For the short term, with pandemic-related pressures beginning to wane, the market is expecting China to have a strong economic recovery post its re-opening in late December 2022. From the 20th National Congress of the Chinese Communist Party, there is clear evidence of government policies supporting for economic growth. However, the key is the extent of these policies in rejuvenating the consumer spending, in creating new and high-quality employment, in weathering the structural conflicts in the property sector, and above all, in mitigating the pressure from the US. Hence, the market should have a decent performance in the first half of 2023.

However, as the reality is gradually unfolded towards the middle of the year, the risks of US recession, the swinging situation in Europe, and the competitive altitudes among certain countries towards China, the second half of 2023 will be more volatile.

As always, the Company will continue to seek investing in listed companies with foreseeable growth potentials and be aware of risks lying ahead within the five sectors, namely new energy, high tech & internet-related, consumptions, telecommunications and healthcare-related.

In respect of unlisted investment, the Investment Manager will continue to monitor closely the development the fully impaired investment and strike for appropriate exit opportunity.

On behalf of the Board

**Shanghai International Shanghai Growth Investment Limited**

**ZHAO Tian**

*Executive Director*

Hong Kong, 22 March 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMIC REVIEW

#### China Economy

China's major economic indicators:

Growth (year-on-year, percent)	2022	2021
Gross domestic product ("GDP")	<b>3.0</b>	8.1
Industrial value-added output (designated size)	<b>3.6</b>	9.6
Retail sales	<b>-0.2</b>	12.5
Consumer price index ("CPI")	<b>2.0</b>	0.9
Fixed asset investments ("FAI")	<b>5.1</b>	4.9
Actual foreign direct investments	<b>6.3</b>	14.9
Exports	<b>7.0</b>	21.2
Imports	<b>1.1</b>	21.5
Trade surplus (US\$ billion)	<b>877.6</b>	676.4
Foreign exchange reserve (US\$ billion)	<b>3,127.7</b>	3,250.2

(Source: Published information)

China economic growth slowed in 2022 on a diminishing consumer demands, property slump and China's COVID restrictions. After recording a 4.8% GDP growth in the first quarter of 2022, economic activities continued to slow, especially the second quarter which was severely impacted by the war in Ukraine with GDP growth mildly positive at 0.4%. Upon China's re-opening near the end of the year, GDP growth in the fourth quarter was 2.9%, well above market consensus of 1.6% which put the full year GDP growth for 2022 at 3.0%.

The shift of pandemic prevention policy after releasing the Twenty Optimised Measures of Pandemic Prevention and Control in November and the Ten New Measures to Further Optimise COVID-19 Prevention and Control in December has revitalized business activities especially among consumer-related sectors. Retail sales beat market expectations meaningfully in December, with nominal and real retail sales growth rebounding to -1.8% and -3.7% year-on-year (YoY), respectively, from -5.9% and -7.6% in November. Year-on-year growth in automobile sales rose to +4.6% YoY in December from -4.2% in November. Online goods sales growth also improved in December, to +4.2% YoY from +1.2% in November.

China's exports extended its losses for the third month, falling by 9.9% YoY in December after a decline of 8.9% YoY in November. Similarly, China's imports fell for the third month, down 7.5% YoY in December, after falling 10.6% YoY in November. For the year, China's exports rose by 7.0% YoY and imports edged up by 1.1% YoY.

Industrial production (IP) growth slowed to +1.3% YoY in December but beating market consensus of +0.1%. Output of automobiles and ferrous metal smelting contributed the most to the IP year-on-year growth deceleration.

Fixed asset investment (FAI) growth rebounded to +3.6% YoY in December from +1.0% YoY in November, taking its year-to-date growth to +5.1% YoY.

Growth in high-tech investments have accelerated to 18.9% in 2022, of which high-tech manufacturing jumped 22.2% while services-related investments grew 12.1%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMIC REVIEW (Cont'd)

#### Global Economy

Growth stocks suffered the most in 2022. The rising inflation rate and several hiking of US interest rate, the valuation of growth stocks of the MSCI World Growth Index fell from 31x expected earnings at the start of 2022 to 21x by the year end. Bond market, in particular, was hard hit with the UK government bond fell as much as 25%. Over the year 2022, the U.S. S&P 500 Index declined 19.44%, and Japanese Nikkei 225 down 20% on USD term.

#### Relevant stock markets' performance in 2022

Indices	31 December 2022	31 December 2021	Change
Hang Seng Index	<b>19,781.41</b>	23,397.67	-15.46%
Hang Seng China Enterprises Index	<b>6,704.94</b>	8,236.35	-18.59%
Hang Seng China-Affiliated Corporations Index	<b>3,695.99</b>	3,899.58	-5.22%
Shanghai SE Composite Index	<b>3,089.26</b>	3,639.78	-15.13%
SZSE Component Index	<b>11,015.99</b>	14,857.35	-25.85%
Taiwan Exchange Index	<b>14,137.69</b>	18,218.84	-22.40%
Dow Jones Industrial Average Index	<b>33,147.25</b>	36,338.30	-8.78%
Standard and Poor's 500 Index	<b>3,839.50</b>	4,766.18	-19.44%
NASDAQ Composite Index	<b>10,466.48</b>	15,644.97	-33.10%

### PRINCIPAL INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS

#### Principal Investment Objective

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

#### Investment Policies and Restrictions

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### INVESTMENT REVIEW

#### *Portfolio Allocation*

	<b>31 December 2022</b>	31 December 2021
Listed investments	<b>23%</b>	56%
Cash and cash equivalents	<b>77%</b>	44%
Unlisted investments	<b>0%</b>	0%
Total	<b>100%</b>	100%

### LISTED INVESTMENTS REVIEW

#### *Hong Kong Stock Market*

Hong Kong stock market in the first half of 2022 has been overshadowed by the unshakable demise of interest rate increase, worsening inflation, disruption of global supply chain and never-ending epidemic outbreak.

During the first quarter of 2022 the stock market fell severely on the tightening monetary policy, war in Ukraine and the risk of delisting Chinese companies in the US. The market fell as much as 19.7% in mid-March and hit a low of 18,236 point in the Hang Seng Index (“HSI”), a level which was not seen since 2016. The Chinese central government subsequently injected more liquidity into the banking system and reaffirmed its pro-growth measures. The market then rebounded and ended the first quarter at 21,997 point.

The second quarter of 2022 was more or less a “zig-zag” movement with more Omicron-related lockdown in China and the continuous weakness in the U.S. stock market. Interest rate was anticipated to be risen and China lowering the required rate of reserve by 25 basis point in April has sent more liquidity to counter the global tightening monetary environment. Overall, the HSI ended slightly positive by the end of June at 21,860 point.

During the second half of 2022, US inflation fears, tension over Taiwan on Pelosi visit, and resurgence of coronavirus cases in China triggered a renew sell-off in Hong Kong stock market. HSI slumped as much as 32.8% to end of October at 14,687 point.

In the last two months of the fourth quarter, the HSI started to rebound. The US Federal Reserve has taken a more dovish view on interest rate hike, coupled with the re-opening of the COVID-related lockdown in China gave the market a strong recovery expectation. The HSI jumped back and closed above 19,000 point. For the full year of 2022, HSI was down 15.5% and Hang Seng China Enterprise Index (“HSCEI”) fell 18.6%.

The return of the Company's listed investments portfolio for the year 2022 was down 14.9%, outperforming the HSI and HSCEI respectively. However, it is more appropriate to benchmark with the 5 industries sectors' performances, which have fallen from 14-29%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LISTED INVESTMENTS REVIEW (Cont'd)

#### Hong Kong Stock Market (Cont'd)

The table below shows the 5 sectors' performance:

Industry Sectors	2022
Tech-related (Cloud, software, media, IT platform)	<b>-24.60%</b>
Healthcare	<b>-16.46%</b>
New Energy (materials & power generations)	<b>-29.01%</b>
Consumption (clothing, jewellery, appliances, & drinks)	<b>-20.80%</b>
Telecommunication & Semiconductors (tele-related, hardware & semiconductors)	<b>-13.95%</b>

*Note:* Since the two major sectors are tech-related and healthcare, in order to be representative, the above performance figures used are Hang Seng Tech Index and Hang Seng Healthcare Index. The other three sectors are simply average returns of stocks within each of the respective sector.

The Investment Manager started off the year 2022 with a moderate optimistic view of the stock market. However, the sell-off in the stock market happened in the first ten months have put tremendous pressure in allocating investment assets among the preset five industry sectors.

The Investment Manager has since resumed investing more actively into the market in the second half of the year, expecting these companies will return to healthy growth should the Omicron impact started to fade away. However, the sell-off in October was severe enough to trigger multiple portfolio risk management parameters. Notwithstanding certain stock exposures could not reach to a level that the Investment Manager would have desired, thereby vastly captured a strong market rebound in the last two months of the year, the overall investment return in the second half of 2022 dropped only 2.15%.

The Investment Manager's investment method emphasis strongly in predicting the upcoming market cycle using statistical data from the stock market combine with stocks selection that are based on sector cycle and individual stock valuation. The investment sphere concentrates mainly on five sectors, namely new energy, high tech & internet- related, consumptions, telecommunications and healthcare-related.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LISTED INVESTMENTS REVIEW (Cont'd)

#### Listed Investments Portfolio

As at 31 December 2022

Listed securities	Nature of business	Number of shares held	% held of total issued shares %	Cost US\$	Market value US\$	% of net asset value %	% of total asset %	Dividend received US\$
<b>Listed on Hong Kong Stock Exchange</b>								
China Mobile Limited	Telecommunication	36,000	0.00017	249,391	238,797	11.88	11.20	17,160
Tencent Holdings Limited	E-commerce & internet services	5,000	0.000052	187,048	214,059	10.65	10.04	3,815
Other listed securities				–	–	–	–	3,041
<b>Total investment in listed securities</b>				<b>436,439</b>	<b>452,856</b>	<b>22.53</b>	<b>21.24</b>	<b>24,016</b>

As at 31 December 2021

Listed securities	Nature of business	Number of shares held	% held of total issued shares %	Cost US\$	Market value US\$	% of net asset value %	% of total asset %	Dividend received US\$
<b>Listed on Hong Kong Stock Exchange</b>								
China Merchants Bank Co., Ltd.	Banking	44,000	0.00096	369,770	341,713	11.46	11.10	–
Tencent Holdings Limited	E-commerce & internet services	4,000	0.000042	261,715	234,359	7.86	7.61	–
China Longyuan Power Group Corporation Limited	New Energy	149,000	0.0045	274,065	347,818	11.67	11.30	–
China Resources Beer (Holdings) Company Limited	Soft Drinks	52,000	0.0016	431,865	425,852	14.29	13.84	1,141
Hua Hong Semiconductor Limited	Semi-conductors	56,000	0.0043	325,972	308,853	10.36	10.04	–
Other listed securities				–	–	–	–	24,430
<b>Total investment in listed securities</b>				<b>1,663,387</b>	<b>1,658,595</b>	<b>55.64</b>	<b>53.89</b>	<b>25,571</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### LISTED INVESTMENTS REVIEW (Cont'd)

#### Listed Investments Portfolio (Cont'd)

Particulars of listed securities investments held by the Company as at 31 December 2022 are stated as follows:

#### Tencent Holdings Limited (“Tencent”, stock code 0700)

Tencent is an internet-based platform company providing online/mobile games, community value-added services, online advertising, payment related services and cloud services. 5,000 shares (approximately 0.000052% held of total issued shares) are held by the Company as at 31 December 2022 at a cost of US\$187,048, with a fair value of US\$214,059 (approximately 10.04% of the Company's total assets).

A dividend income of US\$3,815 and a realised loss of US\$52,066 from Tencent were recorded for the year 2022. An unrealised gain of US\$27,011 (14.44%) was recorded as at 31 December 2022. The Investment Manager believes that the Chinese central government has relieved the stringent control over these internet companies, together with the support of the gaming industry, Tencent will resume back to healthy growth again.

#### China Mobile Limited (“CM”, stock code 0941)

CM is the largest wireless carrier in China, providing mobile voice and multimedia services nationwide and in Hong Kong. 36,000 shares (approximately 0.00017% held of total issued shares) are held by the Company as at 31 December 2022 at a cost of US\$249,391, with a fair value of US\$238,797 (approximately 11.20% of the Company's total assets).

A dividend income of US\$17,160 and a realised loss of US\$3,435 from CM were recorded for the year 2022. An unrealised loss of US\$10,594 (-4.25%) was recorded as at 31 December 2022. As the leading 5G mobile operator in China, the Investment Manager believes that CM is entering in a new growth phase, its high and stable dividend of 9% and reasonably good balancing against the volatile market.

### UNLISTED INVESTMENT REVIEW

As at 31 December 2022, the Company held one unlisted securities investment but was fully impaired. No new investment was consummated in the year in view of the Company's limited cash resources.

#### Unlisted Investment Portfolio

##### As at 31 December 2022 and 31 December 2021

Invested project	Nature of business	% of equity interest	Amount		Fair value	% of net asset value	Dividend income	Accumulated dividend income
			invested at cost	Unrealised loss				
		%	US\$	US\$	US\$	%	US\$	US\$
Global Market Group Limited (Note)	B2B platform	9.36	5,847,458	(5,847,458)	-	-	-	1,814,613

*Note:* An investment in shares through private placement in a B2B internet trading service provider, whose common shares were once listed on London Alternative Investment Market and delisted in September 2015 and reclassified as the Company's unlisted securities investment. This investment was fully impaired since 30 June 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### UNLISTED INVESTMENT REVIEW (Cont'd)

#### *Global Market Group Limited ("GMG")*

GMG is a B2B internet trading service provider in the mainland China. It developed cross-border E-commerce platform since 2016 and finally launch its own hot-selling T-shirt products on the new platform in the second half of 2018. However, the revenue from the hot-selling products was disappointing and far from its original target, coupled with failing capital raising for its business expansion, GMG's business deteriorated significantly over these years.

The Company invested in GMG for a consideration of US\$5 million in 2008. GMG's ordinary shares were once admitted to trading on the Alternative Investment Market of the London Stock Exchange in June 2012 but was subsequently cancelled from trading in September 2015. GMG's main operating subsidiary had been once listed on the New Third Board in mainland China in 2016 but subsequently delisted in May 2017 due to insufficient fund-raising capability. The Investment Manager had been in negotiation vigorously with GMG for an exit after those rounds of delisting decisions.

As at 31 December 2022, a total of 8,734,897 ordinary shares of GMG are held by the Company, representing 9.36% of GMG's total issued ordinary shares. In the absence of a readily quoted market price for GMG, the Investment Manager continued to adopt a relative valuation model to calculate the fair value of GMG by reference to comparable listed companies in Chinese E-commerce industry. Given continuous deteriorated performance and unsuccessful fund raising plans, coupled with the risk of material potential liability over a redeemable non-controlling interest and uncertainties in prospect, full impairment on this investment has been reported since 30 June 2019. The financial position of GMG did not improve over the years and the risk of going concern is increasing. As a result, based on a relative valuation model, the Company considered the fair value of GMG as at 31 December 2022 remained at zero level. Despite a dividend income of approximately US\$1.8 million was recorded in prior years, the Investment Manager would continue to push the management of GMG to strike for appropriate exit opportunity.

### KEY PERFORMANCE INDICATOR

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

Performance of the Company's NAV for the past five years are summarised in this report on page 94 under the heading "Five Year Financial Summary (Unaudited)". In the opinion of the Board, fluctuations in past NAV performances are mainly attributable to fluctuations in unrealised fair value loss in one of the Company's investments.

### LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company did not participate in any new unlisted investment in 2022. The Company's bank balances as of 31 December 2022 were US\$1,636,507 (2021: US\$1,376,307). No dividends were paid during the year. Apart from listed securities investments, cash were used for operating and administrative expenses. The COVID-19 pandemic did not have material impact on the Company's liquidity positions and working capital sufficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2022, there were no charges on the Company's assets and the Company had no material capital commitment on unlisted investments or any significant contingent liabilities (31 December 2021: Nil).

As at 31 December 2022, as far as the Directors were aware, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company.

### GEARING RATIO

The Company did not have any bank borrowings as at 31 December 2022 and 31 December 2021. As at 31 December 2022, the Company's current ratio (current assets to current liabilities) was approximately 13.72 (2021: 14.68). The ratio of total liabilities to total assets of the Company was approximately 5.74% (2021: 3.14%).

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company's assets, liabilities and transactions are denominated either in Hong Kong dollars or US dollars. As long as the Hong Kong dollar continues its peg to the US dollar in the foreseeable future, the Company does not envisage any material exposure to exchange fluctuations. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure. As at 31 December 2022, the Company's investment in one unlisted security, whose operating currency is RMB, is valued at zero. There is no hedging policy, the value of this investment and currency exposure risk are monitored by the Investment Manager.

### EMPLOYEES

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

## BIOGRAPHICAL DETAILS OF DIRECTORS

### **ZHAO Tian**

*Executive Director*

*Member of Remuneration Committee and Investment Committee*

Aged 34, was appointed as an Executive Director of the Company on 28 June 2021. He has been a member of the investment committee of the Company since October 2020 and a member of the remuneration committee of the Company since 28 June 2021. Mr. Zhao has been appointed the Managing Director of the Investment Manager since October 2020. He is currently registered as one of the licensed responsible officers of the Investment Manager to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Commission. Besides, Mr. Zhao has been a director of S.I.- Paul Y. – Canvest Tunnel Company Limited (“SIPY”), an indirect subsidiary of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange and an indirect subsidiary of Shanghai Industrial Investment (Holdings) Company Limited, a substantial shareholder of the Company), since 11 November 2022.

Mr. Zhao has over 11 years’ experience in legal and compliance, securities and fund investment sectors in Hong Kong. Prior to joining the Company, he had been the chief executive officer and head of Compliance and Risk Management of Donghai International Financial Holdings Company Limited (“DIFH”) since 2018 and 2015 respectively. His past experiences prior to joining DIFH included working in a corporate team of an international law firm in Hong Kong.

Mr. Zhao graduated in 2011 with a Bachelor of Law from the East China University of Political Science and Law majoring in Economic Law. He also obtained a Master degree in Global Political Economy from the Chinese University of Hong Kong in 2014. Mr. Zhao is currently a qualified PRC lawyer.

### **LU Xuefang**

*Non-executive Director*

*Member of Investment Committee*

Aged 58, was appointed a Non-executive Director of the Company on 18 March 2019. Mr. Lu has been the director and chairman of the Investment Manager since 20 August 2018. He has been a member of the investment committee of the Company since November 2018. Since August 2018, he has been a director and the president of SIIC Investment Company Limited, the holding company of the Investment Manager and a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”) (SIIC, together with its subsidiaries, the “SIIC Group”) which became a substantial shareholder of the Company since December 2015.

Mr. Lu has over 27 years’ experience in the fields of asset management, corporate and financial management, real estate and financial investment as well as capital markets operations. Mr. Lu joined the SIIC Group in 1996 and has held various positions in operating subsidiaries of the SIIC Group, including the head of investment department of SIIC Real Estate Holdings (Shanghai) Co., Ltd. (上實置業集團(上海)有限公司) from 1996 to 2000, the manager of financial investment department of Shanghai Cyber Galaxy Investment Co., Ltd. (上海星河數碼投資有限公司) from 2000 to 2006, the assistant general manager of finance and planning department of SIIC from 2006 to 2009 and the deputy general manager of Shanghai Cyber Galaxy Investment Co., Ltd (上海星河數碼投資有限公司) from 2009 to 2018. Further, Mr. Lu currently serves as a director in various private companies (including subsidiaries and affiliates of the SIIC Group) engaging in financial investment, property investment and management, consulting, production and sales of consumer products and hotel operations. He is the chairman of The Tien Chu (Hong Kong) Company Limited, a subsidiary of the SIIC Group.

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

## BIOGRAPHICAL DETAILS OF DIRECTORS

### **HUA Min**

*Independent Non-executive Director*

*Chairman of Nomination Committee, Member of Audit Committee and Remuneration Committee*

Aged 72, has been an Independent Non-executive Director of the Company since September 2004 and Chairman of the Nomination Committee. Dr. Hua graduated from Fudan University with a Bachelor's degree in Economics and holds a Doctorate in World Economics from Fudan University. During the period from 1990 to January 2018, he was an advisor for doctoral candidates at Fudan University, and later was the Chief of Academic Committee of economic school Fudan University. He had been teaching and conducting research in world economics, China economics and finance at Fudan University. Dr. Hua is currently an independent non-executive director of Da Ming International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and a third party independent of the Company and its connected persons.

### **ONG Ka Thai**

*Independent Non-executive Director*

*Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee*

Aged 68, has been an Independent Non-executive Director of the Company since June 1997 and Chairman of the Remuneration Committee. Mr. Ong is currently the Chairman of various companies including Ong Pacific (H.K.) Ltd. and Ong Pacific Pte. Ltd.. He is also the Senior Advisor to AIGF (ASEAN Industrial Growth Fund), a private equity fund that is sponsored by Mitsubishi Corporation and headquartered in Singapore. These companies are third parties independent of the Company and its connected persons. Mr. Ong holds a Bachelor of Arts degree major in Economics from the University of California at Los Angeles.

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

Mr. Ong has over 46 years of experience in manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investments.



## BIOGRAPHICAL DETAILS OF DIRECTORS

### **YICK Wing Fat Simon**

*Independent Non-executive Director*

*Chairman of Audit Committee, Member of Nomination Committee and Remuneration Committee*

Aged 64, has been an Independent Non-executive Director of the Company since July 1999 and Chairman of the Audit Committee. Mr. Yick holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in England. Mr. Yick has over 40 years of experience in audit, direct investment, investment banking and corporate advisory services.

Mr. Yick also serves as an independent non-executive director, chairman of the audit committee, and a member of both the remuneration committee and nomination committee of Shenzhen Neptunus Interlong Bio-technique Co., Ltd. and China Shuifa Singyes Energy Holdings Limited, and an independent non-executive director, chairman of the audit committee and the remuneration committee and a member of nomination committee of Meta Media Holdings Limited (formerly known as "Modern Media Holdings Limited"), all the above-mentioned companies are listed on the Hong Kong Stock Exchange. Mr. Yick was an independent non-executive director, chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited (a company being listed on the Hong Kong Stock Exchange) from August 2017 to June 2022, and an independent non-executive director, convener of the remuneration and assessment committee and a member of the strategy committee of Chengdu Xingrong Environment Co, Ltd. (a company being listed on the Shenzhen Stock Exchange) from August 2015 to August 2020. These companies are third parties independent of the Company and its connected persons.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE

The Company is committed to maintaining sound corporate governance standards and procedures to ensure integrity, transparency and quality of disclosure to promote the ongoing development of the long term best interests of the Company and to enhance value for all its Shareholders. The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the financial year ended 31 December 2022, the Company has complied with the code provisions (the “Code Provisions”) under the CG Code, save and except for the deviations as described below.

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

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

Code Provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. As stated in the above, no chairman has been appointed or designated by the Company. Given all Directors are collectively responsible for the Company’s stewardship, the Board considers that it was adequate for the Board to elect a Director to chair the annual general meeting of the Company held on 16 June 2022.

## THE BOARD

### *Corporate Culture and Strategies*

As a company with investment as its core business, enhancement of shareholder value and long-term return for all stakeholders are the key objectives of the Company. The Company believes that good corporate governance strategies and practices are crucial to the business in the long run, especially in enhancing investment values and returns.

The Company instils a culture that promotes and maintains a high standard of integrity, openness, probity and accountability. The Board is responsible to set the tone and to shape the Company’s culture, which is underpinned by the core values of acting lawfully, ethically and responsibly across all levels of the Company. The Board plays a leading role in defining the purpose, core values and strategic direction of the Company which are in line with its corporate culture. In order to promote and implement the purpose and core values continuously, the Company has established a range of strategies, measures and tools over time, in which the Board is responsible for approving and monitoring of the same, including establishment of internal policies and guidelines in compliance with relevant laws and regulations; stringent investment approval and financial reporting procedures; establishment of whistleblowing mechanism; provision of employee welfare and training; formation of continuous communication channels with the stakeholders; as well as taking the lead and provision of directions to all levels of the Company by laying down strategies, and conveying corporate values and desired culture through formal reporting lines.

To conclude, the Board considers that the culture and the purpose, core values and strategies of the Company are aligned.

## CORPORATE GOVERNANCE REPORT

### THE BOARD *(Cont'd)*

#### *Role of the Board*

The Board has overall responsibility for the stewardship of the Company, which includes, inter alia, the determination of long term corporate objectives and strategies, assessment of investment projects, adoption of corporate governance practices, supervision of the Company's Investment Manager to ensure that the Company's operations are conducted in accordance with the objectives of the Company, and in reviewing financial performance. The Company's investment portfolio and daily operations are managed by the Investment Manager pursuant to the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager, details of which are set out on pages 48 to 50 under the heading "Investment Management and Administration Agreement and Continuing Connected Transactions".

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

All Directors commit to devote sufficient time and attention to the Company's affairs. Each have disclosed to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

#### *Composition*

During the year, Dr. WANG Ching resigned as Executive Director of the Company on 23 March 2022 due to retirement. Following the aforesaid change, the Board currently comprises five Directors of whom one is Executive Director, one is Non-executive Director and three are Independent Non-executive Directors ("INEDs"). There is no designated chairman or chief executive of the Board. All Directors are, collectively and individually, aware of their responsibilities to the Shareholders. The Directors' respective biographical information is set out on pages 14 to 16 under the heading "Biographical Details of Directors". In addition, a list containing the names of the Directors and their roles and functions is published on the websites of the Company at <http://shanghaigrowth.etnet.com.hk> and of Hong Kong Exchanges and Clearing Limited ("HKEX") at <http://www.hkexnews.hk>.

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

All Directors have entered into respective letters of appointment with the Company. Executive Director and Non-executive Director of the Company do not have a specific term of appointment and are not entitled to any form of remuneration. All INEDs are engaged for a term of three years and each of them are remunerated at HK\$130,000 per annum. All Directors (including those appointed for a specific term) are subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association.

## CORPORATE GOVERNANCE REPORT

### THE BOARD *(Cont'd)*

#### *Board Diversity*

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

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

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

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

Currently, all Board members are males. In order to achieve gender diversity on the Board level, the Board will appoint one female Board member no later than 31 December 2024.

Although the existing employees of the Company are in single-gender (both are females), in view of the simple business and operation structure of the Company and under the management of the Investment Manager (gender diversity exists across its workforce), the Company recognizes that they have already maintained a balance perspective and are beneficial to the business operation of the Company. Thus, the Company considers that gender diversity across the workforce (including senior management) is already taken into account.

#### *Director Nomination Policy*

The Board has adopted a director nomination policy (“Director Nomination Policy”) since January 2019, setting out the criteria and process in the nomination and appointment of Directors of the Company; ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; setting out the succession planning of Directors; and ensuring the Board continuity and appropriate leadership at Board level.

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### THE BOARD *(Cont'd)*

#### *Independent Non-executive Directors*

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs representing one-third of the Board.

INEDs are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgment. At least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. Each of the INEDs has provided an annual confirmation to the Company confirming their independence and has undertaken to inform the Hong Kong Stock Exchange as soon as practicable if there is any subsequent change in circumstances which may affect their independence.

#### *Assessment of independence of INEDs*

During the year, the Nomination Committee has assessed the independence of all INEDs, namely Dr. HUA Min, Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon who have served the Board for more than 9 years.

The Nomination Committee believes that extensive knowledge and experience of these INEDs in the Company's business will continue to generate valuable contribution to the Board, the Company and the Shareholders as a whole. The Nomination Committee also believes that each of the INEDs has demonstrated their ability to provide an independent view on the Company's matters notwithstanding the length of their service on the Board. None of these INEDs are involved in the daily management of the Company nor are there any relationships or circumstances which would interfere with the exercise of their independent judgment and ability to provide independent, balanced and objective view to the affairs of the Company. Each of the INEDs has provided an annual written confirmation of their independence to the Company. The Company is of the view that all INEDs meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are independent.

#### *Retirement and Re-election of Directors*

The Company's Articles of Association provides that any Director appointed by the Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election by ordinary resolution. At such annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, including those appointed for a specific term. All Directors are subject to retirement by rotation at least once every three years or such other period as the Hong Kong Stock Exchange may from time to time prescribe. The Directors to retire by rotation shall include any Director who wishes to retire and does not offer himself for re-election. Further Directors to retire shall be those having been in office the longest since their last re-election of appointment and subject to retirement by rotation. Re-election of retiring Directors at general meetings is dealt with by separate individual resolutions.

Dr. HUA Min and Mr. YICK Wing Fat Simon will retire by rotation at the 2023 AGM, and being eligible, offer themselves for re-election at the 2023 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

## CORPORATE GOVERNANCE REPORT

### THE BOARD (Cont'd)

#### *Retirement and Re-election of Directors (Cont'd)*

Dr. HUA Min and Mr. YICK Wing Fat Simon, the retiring Directors, have served as INEDs for more than 9 years. The Nomination Committee has assessed their independence and discussed on their re-election in the Nomination Committee meeting, which made a recommendation to the Board in the Board meeting that the re-election be proposed for Shareholders' approval at the 2023 AGM. Both the Nomination Committee and the Board considers that during their years of appointment, they have demonstrated their ability to provide an independent view on the Company's matters. Notwithstanding their years of service as INED, the Nomination Committee and the Board are of the opinion that Dr. HUA and Mr. YICK's knowledge and experience in the Company's business will continue to generate valuable contribution to the Board, the Company and the Shareholders as a whole and thus recommend them for re-election at the 2023 AGM. In accordance with the CG Code, the re-election of Dr. HUA and Mr. YICK will be subject to separate resolution to be approved at the 2023 AGM.

#### *Board Meetings and Attendance*

The Board meets regularly at least 4 times every year with Directors participating either in person or through electronic means of communication. Schedule of Board meetings are made available to Directors in advance to provide sufficient notice to Directors and facilitate maximum attendance. Formal notices of regular Board meetings are served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board and committee meetings. Minutes of each Board/Board committee meeting are sent to all Directors/respective Board committee members for their comments and records within a reasonable time. The Company also keeps detailed minutes of each Board/Board committee meeting, which are available for inspection by all Directors.

The Board held 4 Board meetings during the year ended 31 December 2022. Appropriate and sufficient information were provided in Board papers to Directors in a timely manner to keep them apprised of the Company's latest developments to enable them to make informed decisions on matters to be placed before the Board. The Board had also approved certain matters by way of passing written resolutions during the year. Monthly reports are provided to Directors to keep them updated on the Company's operational and financial performance.

Attendance of individual Directors at such meetings was:

<b>Name of Director</b>	<b>Attendance</b>	<b>Name of Director</b>	<b>Attendance</b>
Mr. ZHAO Tian	4/4	Mr. ONG Ka Thai	4/4
Dr. WANG Ching <sup>1</sup>	1/1	Mr. YICK Wing Fat Simon	4/4
Dr. HUA Min	4/4	Mr. LU Xuefang	4/4

<sup>1</sup> Resigned as Executive Director on 23 March 2022

As at 31 December 2022, certain Directors of the Company, namely Mr. ZHAO Tian, Mr. LU Xuefang and Dr. WANG Ching (Dr. WANG resigned as Investment Manager's director on 23 March 2022) were also directors of the Company's Investment Manager. Mr. LU Xuefang is a director and the president of SIIC Investment Company Limited, the holding company of the Investment Manager and is a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited which became a substantial shareholder of the Company since December 2015. Details of such relationships are set out on page 51 under the heading "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Save as disclosed above, to the best knowledge of the Company, there are no financial, business or family relationship among members of the Board as at 31 December 2022. All of them are free to exercise their individual judgment.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference, which are on no less exacting terms than those set out in the CG Code (as applicable). The terms of reference of all Board committees are published on the websites of the Company and HKEX and are available to the Shareholders upon request. Apart from Board committee meetings, committee members may approve various matters by way of passing written resolutions. Board committees report to the Board on their work, findings, decisions and recommendations pursuant to their respective terms of reference.

Board committees are provided with sufficient resources to discharge their duties and, upon request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

### AUDIT COMMITTEE

The Audit Committee has been established since July 1999 and currently comprises three members, all of whom are INEDs of the Company, namely, Mr. YICK Wing Fat Simon (Chairman), Dr. HUA Min and Mr. ONG Ka Thai. At least one of the members possesses appropriate qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The latest terms of reference of the Audit Committee are available on the websites of the Company and HKEX.

The primary duties of the Audit Committee include:

- (a) To review the Company's financial statements and reports and consider any significant matters raised by the Investment Manager or the external auditor before submission to the Board.
- (b) To review the relationship with the Company's external auditor by reference to the work performed, its independence, remuneration and terms of engagement, and make recommendations to the Board on the appointment, reappointment and removal of external auditor.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control procedures.
- (d) To review arrangements that employees of the Company or the Investment Manager may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company, and to ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action.

Three meetings were held during the year ended 31 December 2022. The external auditor attended two meetings. Attendance of Audit Committee members at such meetings was:

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

## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE *(Cont'd)*

During the year, the Audit Committee reviewed the interim and annual results and reports (including the financial statements) of the Company. It also reviewed the accounting principles and policies adopted by the Company, the continuing connected transactions conducted by the Company, the content and the quality of the Environmental, Social and Governance (“ESG”) Report, and reviewed the newly established anti-corruption policy and whistleblowing policy of the Company. In addition, it discussed with the Investment Manager and an external professional consultancy firm (as appropriate) on internal audit results, risk management and internal controls, key matters on compiling the ESG Report, compliance procedures and financial reporting matters. During the year, the Audit Committee also held a meeting with the external auditor in the absence of the Investment Manager, to discuss issues regarding audit or any matters that the external auditor may wish to raise to the Audit Committee.

Up to the date of this report, the Audit Committee has reviewed the annual results for the year ended 31 December 2022.

### REMUNERATION COMMITTEE

The Remuneration Committee has been established since March 2005. During the year, Dr. WANG Ching resigned as a member of the Remuneration Committee on 23 March 2022. Following the aforesaid change, the Remuneration Committee currently has four members comprising all three INEDs, namely, Mr. ONG Ka Thai (Chairman), Mr. YICK Wing Fat Simon and Dr. HUA Min, and one Executive Director, namely, Mr. ZHAO Tian.

The latest terms of reference of the Remuneration Committee are available on the websites of the Company and HKEX.

The primary duties of the Remuneration Committee include:

- (a) To establish formal and transparent procedures and structure in developing staff remuneration policies.
- (b) To review and make recommendations to the Board on remuneration packages of the Directors, taking into consideration such factors like salaries and compensation packages paid by comparable companies, time commitment and responsibilities required of Directors.

The Remuneration Committee held two meetings during the year ended 31 December 2022. Attendance of Remuneration Committee member at such meeting was:

Name of Director	Attendance	Name of Director	Attendance
Mr. ONG Ka Thai <i>(Chairman)</i>	2/2	Mr. Zhao Tian	2/2
Dr. HUA Min	2/2	Dr. WANG Ching <sup>1</sup>	1/1
Mr. YICK Wing Fat Simon	2/2		

<sup>1</sup> Resigned on 23 March 2022

During the year, the Remuneration Committee reviewed current remuneration policies of the Company for its staff and of its Directors by reference to market comparables, reviewed the proposed change of composition following the resignation of Dr. WANG Ching, and made recommendations for the Board.



## CORPORATE GOVERNANCE REPORT

### NOMINATION COMMITTEE

The Company's Nomination Committee, established in February 2012, currently comprises all three INEDs, namely Dr. HUA Min (Chairman), Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon. Its latest terms of reference are available on the websites of the Company and HKEX.

The primary duties of the Nomination Committee include:

- (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board with regard to any proposed changes.
- (b) To identify and nominate suitably qualified individuals for appointment as additional Directors or fill Board vacancies as and when they arise, in accordance with the Director Nomination Policy of the Company.
- (c) To assess the independence of INEDs.
- (d) To report its decisions and make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning of Directors.

The Nomination Committee has adopted a set of nomination procedures for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the Board Diversity Policy and the Director Nomination Policy.

The Nomination Committee held one meeting during the year ended 31 December 2022. Attendance of Nomination Committee member at such meeting was:

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

During the year, the Nomination Committee reviewed current Board structure, size and composition, assessed the independence of the INEDs, considered the qualifications of the retiring Directors standing for election at the annual general meeting, reviewed the training and continuous professional development of the Directors and professional staff, reviewed and considered the proposed changes in composition of the Remuneration Committee and the Investment Committee following the resignation of Dr. WANG Ching, as well as the proposed appointment of Mr. CHOW Wang (fund manager of the Investment Manager) as a member of the Investment Committee to fill the vacancy in the Investment Committee, and recommended to the Board for such appointment.

## CORPORATE GOVERNANCE REPORT

### INVESTMENT COMMITTEE

The Investment Committee has been established pursuant to Article 109A(a) of the Articles of Association of the Company. During the year, Dr. WANG Ching resigned as a member of the Investment Committee on 23 March 2022; and Mr. CHOW Wang (fund manager of the Investment Manager) was appointed by the Board on the same date to fill the said vacancy. The Investment Committee currently comprises of Mr. ZHAO Tian (Executive Director), Mr. LU Xuefang (Non-executive Director) and Mr. CHOW Wang (fund manager of the Investment Manager). The terms of reference of the Investment Committee has been amended following the amendments of the certain articles in the Articles of Association of the Company on 29 November 2022. The latest terms of reference of the Investment Committee are available on the websites of the Company and HKEX.

The Company has delegated its investment management services to the Investment Manager pursuant to an investment management and administration agreement (as amended and/or supplemented from time to time). In addition, fund allocation to the listed securities investment has been reviewed and approved by the Board on annual basis. The Company's investments which are recommended and reviewed by the Investment Manager's investment committee on regular basis, had been reviewed and fully discussed in the Board meetings held during the year. In addition, the Board has also been reviewed and approved the amendments on the terms of reference of the Investment Committee. In this regard, no meeting was held by the Investment Committee during the year.

### SHAREHOLDERS AND INVESTORS ENGAGEMENT

The Company considers that effective communication with Shareholders is essential in enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. Executive Director, Non-executive Director, INEDs and Chairman of respective Board committees (or their delegates) make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

#### *Shareholders' Communication Policy*

To promote effective communication, the Company has established a Shareholders' Communication Policy setting out relevant contact details and the Company's procedures in providing Shareholders with prompt and equal access to publicly available information of the Company. The Board conducts annual review of the Shareholders' Communication Policy and revises it from time to time to ensure its effectiveness. The latest policy has been published on the Company's website <http://shanghaigrowth.etnet.com.hk>. During the year, works conducted in accordance with the Shareholders' Communication Policy are as follows:

- Disclosed detailed information in results announcements, annual report, interim report and other corporate announcements to facilitate effective communication
- Met and maintained dialogue with the Shareholders through annual general meeting and extraordinary general meeting
- Continuously updated the information on the Company's website, where the latest information and published financial results, corporate governance practices and other information were posted
- Reviewed and revised the Shareholders' Communication Policy to facilitate the means for Shareholders' participation in the general meetings

The Board has considered the aforesaid works and is of the view that the Shareholders' Communication Policy of the Company is effective.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS AND INVESTORS ENGAGEMENT (Cont'd)

#### Dividends Policy

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

#### General Meetings

The Company held two general meetings during the year. The Company's 2022 annual general meeting ("2022 AGM") was held on 16 June 2022 and an extraordinary general meeting ("EGM") was held on 29 November 2022 (collectively, the "General Meetings"). The Chairmen of the General Meetings exercised their power under the Company's Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for conducting a poll were also explained prior to the poll being taken. All resolutions put to the Shareholders at the General Meetings were passed. The Company's Share Registrar was appointed as scrutineer to monitor and count the poll votes cast at the General Meetings. The results of the voting by poll were published on the websites of the Company and HKEX. In addition, Executive Director as well as respective Chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and the Company's external auditor attended the 2022 AGM either in person or by phone to answer questions (if necessary).

Attendance of Directors at the 2022 AGM and EGM was:

	Attendance	
	2022 AGM	EGM
<b>Directors</b>		
<b>Executive Directors</b>		
Mr. ZHAO Tian	1/1	1/1
Dr. WANG Ching <sup>1</sup>	N/A	N/A
<b>INEDs</b>		
Dr. HUA Min	1/1	1/1
Mr. ONG Ka Thai	1/1	0/1
Mr. YICK Wing Fat Simon	1/1	1/1
<b>Non-executive Director</b>		
Mr. LU Xuefang	1/1	1/1

<sup>1</sup> Resigned as Executive Director on 23 March 2022

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and HKEX after each general meeting.

Under Article 42 of the Company's Articles of Association, any one or more Shareholders holding together not less than one-tenth of the voting rights, on a one vote per share basis, of the Company, may request the Board of Directors of the Company to convene a general meeting of the Company, in accordance with the requirements and procedures set out in the Articles of Association of the Company. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Board of Directors at the registered office of the Company at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

A Shareholder who wishes to propose a resolution to be considered at a general meeting must submit a requisition the convening of a general meeting in accordance with Article 42 of the Company's Articles of Association.

Without prejudice to the foregoing, if a Shareholder wishes to propose a person other than a retiring Director for election as a director of the Company at any general meeting (including an annual general meeting), the Shareholder shall lodge a written notice of his intention to propose such person for election as a director with the Company, during a period of at least seven days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting. Such written notice must be accompanied by a notice in writing signed by the person to be proposed of his willingness to be elected.

#### *Putting Forward Enquiries to the Board*

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company.

*Note:* The Company will not normally deal with verbal or anonymous enquiries.

#### *Contact Details*

Shareholders may send their enquiries or requests as mentioned above to the Company's principal place of business as follows:

Address: Room 1501, 15/F  
Shanghai Industrial Investment Building  
48-62 Hennessy Road, Wanchai  
Hong Kong  
(for the attention of the Board of Directors)

Fax: +852 2840 1286

For the avoidance of doubt, Shareholder(s) must send the original duly signed notice, statement or enquiry (as the case may be) to the address immediately above, while written requisition(s) to convene a general meeting must be deposited at the registered office of the Company as stated in the relevant paragraph above. Full name, contact details and identification of each Shareholder must be provided in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## CORPORATE GOVERNANCE REPORT

### MAJOR CHANGES TO CONSTITUTIONAL DOCUMENTS

At the EGM held on 29 November 2022, a special resolution was passed by the Shareholders of the Company approving certain amendments (the “Amendments”) to the Company’s article of association (the “Articles”), among others, bringing the Articles in line with the amendments made to applicable laws of the Cayman Islands and the Listing Rules, in particular to conform with the core shareholder protection standards as set out in Appendix 3 to the Listing Rules; providing greater flexibility for Board and general meetings of the Company to be conducted through hybrid or electronic means; updating the scope of the delegated powers of the Investment Committee of the Company and the method of calculating net asset value for the purpose of aligning with the change in the Company’s current asset size and to conform with applicable accounting standards on valuation of financial assets; making certain housekeeping improvements of the Articles; and adoption of the amended and restated memorandum and articles of association of the Company.

Details of the Amendments were set out in the Company’s announcement dated 19 October 2022 and circular dated 24 October 2022. The amended and restated memorandum and articles of association of the Company are available on the websites of the Company and HKEX.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing its corporate governance functions as required under the CG Code and has adopted the code provision A.2.1 contained in the CG Code as the terms of reference for its corporate governance functions:

1. To develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board.
2. To review and monitor the training and continuous professional development of Directors and senior management.
3. To review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements.
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors.
5. To review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed the Company’s corporate governance policies and practices, training and continuous professional development of Directors and professional staff, the Company’s policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company’s compliance with the CG Code and disclosure in this Corporate Governance Report.

## **CORPORATE GOVERNANCE REPORT**

### **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (“Model Code”). The Company has made specific enquiry of all Directors of the Company regarding any non-compliance with the Model Code during the year ended 31 December 2022, all Directors confirmed that they had fully complied with the required standard set out in the Model Code.

The Company has also established written guidelines no less exacting than the Model Code (the “Employees Written Guidelines”) for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. During the year, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

### **DIRECTORS’ TRAINING**

The Company provides a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment to enable him/her to gain an understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place in providing continuing briefing and professional development to Directors at the Company’s expense to develop and refresh their knowledge and skills. From time to time the Company Secretary updates and provides Directors with relevant reference materials, training materials on anti-corruption, anti-money laundering and counter-terrorist financing, amendments to Listing Rules and CG Code, news releases and online training from the Hong Kong Stock Exchange on any developments in statutory and regulatory regime to facilitate the discharge of their responsibilities.

## CORPORATE GOVERNANCE REPORT

### DIRECTORS' TRAINING *(Cont'd)*

All Directors has provided a record of their training to the Company Secretary. The individual training record of each Director during the year ended 31 December 2022 is summarised below:

	<b>Reading regulatory updates or other relevant reference materials</b>	<b>Attending external seminars/ conferences or webinar or online training</b>
<b>Directors</b>		
<b>Executive Directors</b>		
Mr. ZHAO Tian	✓	✓
Dr. WANG Ching <sup>1</sup>	✓	✓
<b>INEDs</b>		
Dr. HUA Min	✓	✓
Mr. ONG Ka Thai	✓	✓
Mr. YICK Wing Fat Simon	✓	✓
<b>Non-executive Director</b>		
Mr. LU Xuefang	✓	✓

<sup>1</sup> Resigned as Executive Director on 23 March 2022

### INSURANCE

The Company has arranged appropriate directors' and officers' liabilities and professional indemnity insurances coverage for the Directors and officers of the Company.

### COMPANY SECRETARY

Ms. NG Yin Yuet Jenny ("Ms. NG") has resigned as the Company Secretary with effect from 22 March 2023. Following her resignation, Ms. CHEUNG Yuet Fan ("Ms. CHEUNG"), a director of Corporate Services of Tricor Services Limited, external service provider, has been appointed as the Company Secretary with effect from 22 March 2023. The Company Secretary supports the Board on Board procedures, matters relating to corporate governance of the Company and relevant rules and regulatory updates.

Mr. ZHAO Tian (Executive Director) is the primary contact person at the Company whom Ms. CHEUNG can contact pursuant to Code Provision C.6.1 of the CG Code.

The appointment and dismissal of the Company Secretary are subject to Board approval in accordance with the Company's Articles of Association. Directors have access to the advice and services of the Company Secretary. During the year ended 31 December 2022, both Ms. NG and Ms. CHEUNG have fulfilled professional training requirements in compliance with Rule 3.29 of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

### RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Company has complied with Principle D.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks in relation to Environmental, Social and Governance (“ESG”). Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described as below:

#### *Risk Management System*

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

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

Based on the risk assessments conducted in 2022, the details of significant risk and the relevant risk response are highlighted as follow:

#### Business Risk

The Company is principally engaged in making investments in operating companies established or having significant operations in the PRC, both listed and unlisted. Market prices of listed securities and fair value of the unlisted investment are significantly affected by global economy and Chinese government policies, and performance of the operating companies. The year 2022 was a turbulent one for the world economy. The new Omicron variant is impeding global economic recovery and the increase in US dollar interest rates, which has caused stock market performance to fall globally. The HSI dropped around 38% from 23,510 points in mid-February to 14,687 points at the end of October. In addition, soaring global energy and food prices caused by the Russo-Ukrainian War, the disruption of the global supply chain, higher prices for oil and natural gas, coupled with further debt defaults by China’s property enterprises, resulted in the HSI being severely impacted in 2022.

All these factors may have an impact on the fluctuation of security prices and return on investment, resulting in losses in the fair value of the Company’s listed investments. Despite the fact that management and the Investment Manager have formulated a proper investment strategy, sudden market fluctuations may have an adverse impact on the investment return and financial results of the Company. The Company recorded a net loss of 14.9% on listed securities investments in 2022, given relevant risk control measures, yet outperformed the HSI and HSCEI which fell 15.5% and 18.6%, respectively.



## CORPORATE GOVERNANCE REPORT

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

#### *Risk Management System (Cont'd)*

##### Risk response

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

#### *Internal Control System*

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

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

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

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

Based on the internal control reviews conducted in 2022, no significant control deficiency was identified.

## CORPORATE GOVERNANCE REPORT

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

#### *Internal Auditors*

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

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

#### *Effectiveness of the Risk Management and Internal Control Systems*

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

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

### DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for the preparation of financial statements of the Company and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of such financial statements.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company’s ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

### AUDITOR’S REMUNERATION

The statement of the external auditor of the Company, Messrs. Ernst & Young, with regard to its reporting responsibilities on the Company’s financial statements, is set out in the Independent Auditor’s Report on pages 53 to 57.

For the year ended 31 December 2022, services provided to the Company by its external auditor and the respective fees paid were:

	<b>2022</b>
	<b>US\$</b>
Audit services	<b>50,944</b>
Taxation compliance and other services	<b>4,164</b>
	<hr/>
	<b>55,108</b>
	<hr/> <hr/>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present its Environmental, Social and Governance (“ESG”) Report (“ESG Report”) for the reporting period from 1 January 2022 to 31 December 2022 (the “Year”). This ESG Report demonstrates the Company’s commitment to sustainable development as well as corporate social responsibility.

### SCOPE OF THE REPORT

The ESG Report focuses on the environmental and social performance of the entire business of the Company. Unless otherwise specified, the reporting boundary of this ESG Report is the same as this Annual Report. The environmental key performance indicators (“KPIs”) is based on the daily operation of the Company in the office in Hong Kong. As for the information on corporate governance, please refer to the Corporate Governance Report on pages 17 to 33 of this Annual Report.

### REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules issued by the Stock Exchange of Hong Kong, and in compliance with the “comply or explain” reporting principle.

### REPORTING PRINCIPLES

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting and reviewing the management and stakeholders’ opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. The ESG Report covers all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Company’s ESG performance. Information of the standards, methodologies, references and source of key emission of these KPIs are stated wherever appropriate. To enhance comparability of the ESG performance between years, the Company has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies, the Company has presented and explained in details in the corresponding sections.

### INFORMATION AND FEEDBACK

Your opinions are highly valued by the Company. Should you have any advice or suggestions, please feel free to contact the Company by mail to Room 1501, 15/F, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong.

### ESG BOARD STATEMENT

The Company believes that good ESG strategies and practices are crucial to the business in long term, especially in enhancing investment values and returns. The Audit Committee assists the Board to oversee the ESG development and performance of the Company, to monitor and review the compliance status of ESG-related laws and regulations, to review the content and quality of the ESG Report annually, and to recommend the same to the Board, while the Board would make decision to adopt the ESG Report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ESG BOARD STATEMENT *(Cont'd)*

To mitigate risks related to sustainability and ESG-related issues, the Company has conducted engagement exercises during the Year for better identifying potential and material ESG issues to the business and its stakeholders. Members of the Board have participated in the engagement exercise and provided constructive opinions in determining the materiality of ESG issues of the Company. The Board is responsible for reviewing the stakeholder communication channels regularly to ensure effective communication between the Company and stakeholders. In the aim of formulating and executing effective ESG policies and measures, the Board also reviews the plans and execution of the related work annually with respect to the targets and goals set, as well as oversees the coordination and management of ESG issues.

To better integrate ESG concepts into business operation, the Company will consider environmental and social factors when building investment portfolios to facilitate the Company's overall ESG goal by the Board. The Board will keep overseeing the coordination and management of ESG-related work and reviewing the plans and execution regularly with respect to the goal set.

### STAKEHOLDER ENGAGEMENT

The Company believes that the involvement and continuous support of our stakeholders are crucial to the long-term development of the business. Through engaging with stakeholders, the Company could make continuous improvement to set out effective and feasible sustainable development goals and strategies. Therefore, the Company has adopted multiple means of communications which allow stakeholders from different aspects, including the government and regulators, shareholders, business partners, employees and the community, to express opinions and raise suggestions. In response, the Company would address their concerns in a timely manner through various communication channels, such as Annual and Interim Reports, ESG Reporting, Company's website and meetings with the stakeholders.

In the future, the Company will continue enhancing the level of stakeholder engagement so as to collect stakeholders' opinions more comprehensively towards the Company's business and ESG strategies.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT *(Cont'd)*

### *Materiality Assessment*

In view of the relevance and validity of this ESG report with the Company's environmental and social performance, the Company has conducted a materiality assessment to identify ESG issues that are material to the business of the Company and its stakeholders. The assessment is based on stakeholder surveys, and materiality maps provided by well-known external institutions<sup>1</sup>. The material ESG issues as identified are shown as follows:

#### **Employment and Labour Practices**

Employment Compliance

Training and Development

Occupational Health and Safety

Employee Welfare

Diversity and Equal Opportunity

#### **Operating Practices**

Operational Compliance

Business Ethics

Quality Management

## **SOCIAL**

The Company values employees as important asset. It has provided comprehensive employment policies to protect employees' rights and benefits. It also complies with various employment related laws and regulations in Hong Kong, including but not limited to the Discrimination Ordinances (sex, disability, family status and race), Employment Ordinance, Minimum Wage Ordinance, Employees' Compensation Ordinance and Occupational Safety and Health Ordinance.

As at 31 December 2022, the Company had two employees, who are all full-time employees in Hong Kong. The two employees are both female and aged between 50-59. During the Year, the employee turnover rate (by any category) is 0%.

## **EQUAL EMPLOYMENT OPPORTUNITIES**

The Company strives to provide an equal and transparent working environment for all staff members. Thus, the recruitment and promotion is solely based on the candidates' performance, experience, qualifications, capability and relevant objective criteria. The Company also undertakes to provide equal employment opportunities irrespective of age, sex, race, religious affiliation, sexual orientation and other factors.

Child labour and forced labour are strictly prohibited in the Company. In order to prevent such practices, various internal policy are implemented, such as checking applicants' identity card and other certificates to confirm their ages, identities and experience. Once such practice is discovered, the Company would investigate the case thoroughly and dismiss relevant employees immediately. The Company also considers each dismissal and resignation seriously. Exit interviews would be conducted with the employees so as to provide the Company with feedback to reduce turnover in the future.

<sup>1</sup> The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### REMUNERATION AND WELFARE

The Company offers competitive salary and benefits to employees. All employees enjoy comprehensive remuneration package including Mandatory Provident Fund benefits and discretionary bonus which is based on the competencies, experience, skills and qualifications required for the specific post. The Company highly values the work-life balance of employees that a five-day work week arrangement to ensure they can enjoy enough rest and leisure time. Employees also enjoy full-paid annual leave benefit, maternity leave and so on beyond the statutory holidays. To encourage continuous study and development, the employees are reimbursed with continuous professional training fees.

### HEALTH AND SAFETY

As a responsible company, health and safety of employees is of utmost importance when it comes to sustaining the business operation. Therefore, the Company strictly complies with the Occupational Safety and Health Ordinance, as well as implements different internal policies that emphasize the importance of occupational safety and health, such as prohibit smoking at work premises. The Company has also established a clear and effective system for reporting hazards, injuries and illness, the management would thus respond to all reports of unsafe and unhealthy workplace environment as soon as possible. Besides, the management is responsible for providing and maintaining a clean and safe working environment, safe systems of work, machines and facilities in good condition and any measures needed to ensure all staff are safe from injury at work. Moreover, all staff are required to attend fire and evacuation drills, which are arranged by the premises, regularly to better prepare for any emergency.

In the past three years, the Company has no identified work-related fatalities and work injuries, hence no lost day due to work injury.

In correspondence to the outbreak of Coronavirus disease 2019 (“COVID-19”) worldwide, the Company has implemented a series of preventive measures and control policy. Special working arrangement was launched so that employees were allowed to work from home depending on the latest pandemic situation to avoid mass gatherings. All staff are required to wear mask, as well as measure body temperature before entering the premise. The Company has also established a reporting system to ensure employees’ health are in good condition and without any close contact with confirmed or suspected case individuals. Besides, the management has strived its best to cooperate and support local government’s pandemic prevention and control work, and provided adequate pandemic prevention supplies for employees.

### DEVELOPMENT AND TRAINING

The Company supports its staff to develop and enhance their professional knowledge and skills to cope with the evolving market environment and compliance level. Staff members are encouraged to take external professional training to strengthen work-related expertise. Beyond training on financial reporting standards, training workshops of the Year also covered taxation, latest requirements on Corporate Governance Code and the Listing Rules, climate-related risks, anti-corruption, anti-money laundering (“AML”) and counter-terrorist financing (“CFT”). During the Year, the percentage of employees trained is 100%. Among the trained employees, all are female and belong to senior management level<sup>2</sup>. They participated in a total of 67.75 hours of training and the average training hours for each employee is approximately 34 hours<sup>3</sup>.

<sup>2</sup> The Company has no male employees and no junior and middle level employees.

<sup>3</sup> The average training hours of each female employee and senior management are also approximately 34 hours.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### QUALITY MANAGEMENT

To maintain high quality of the business, the Company delegated discretionary investment management powers to the Investment Manager and its investment committee to advise on investment strategies and guideline formulation, as well as making recommendation on investment proposals and execution of investment decisions. The Investment Manager is a licensed corporation, under supervision of Securities and Futures Commission, recruited with professionals and licensed holders to perform regulated activities such as advising or securities and asset management services, as well as general administration of the Company. Representatives of the Investment Manager are also appointed members of the Board. The Company also sets up an Investment Committee to review and evaluate on significant investment proposals. The Board is responsible for overseeing and evaluating the performance of Investment Manager who reports to the Board on regular basis.

The Company has formulated a series of investment policies and procedures to meet its investment objectives. The Investment Manager shall recommend investment proposals aligned with the Company's scope of policies, strategies and guidelines determined and agreed by the Board from time to time. To avoid conflicts of interest, the Investment Manager is required to uphold fair consideration to respective investment objectives, funding capability and expected return on investments. Investment portfolio and proposed investments shall be discussed at the Investment Manager's investment committee meetings held on weekly interval. In case of unlisted investment, potential investment projects are recorded on a job log and preliminary due diligence would be conducted. As a continuous monitoring process, regular visits and communications with investee companies are essential to monitor the investment performance and understand corporate governance quality of the respective management.

### BUSINESS ETHICS

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

In the Year, a staff member has attended AML and CFT compliance training held by the external professional institute. In addition, self-studying training materials on anti-corruption published by ICAC; and AML/CFT in the Cayman Islands Regime prepared by Hong Kong Securities and Investment Institute were circulated to the Directors and all staff of the Company for the training purpose during the Year. There were in total 5 Directors and 2 staff trained in the Year and the total training hour was 21 hours. The aforesaid self-studying training materials were also circulated to the Company's Investment Manager. During the year, the Company had no legal cases regarding corrupt practices brought against the Company or its employees.

Despite there are no customers or clients involved due to the Company's business nature, the Company strictly respects data privacy protection on information related to its operation, such as transaction details and employees' personal information. The Company at all times maintains strict confidentiality on all information pertaining to potential investment projects as well as the investment process. A Non-Disclosure Agreement (NDA) is in place for potential investment projects to collect and protect financial data and operating information of both parties.

Besides, the Company also demonstrates its respect for intellectual property rights. Only legitimate software that complies with the license agreement is allowed to be used within the Company. Employees are also required to follow application procedures before software installation to avoid infringement of others' intellectual property rights.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### COMMUNITY

The Company attaches great importance to interacting with the wider community in fulfilling corporate social responsibility. In light of community investment, the Company would keep exploring the possibility to identify suitable business partners who align with the Company's missions and values, as well as supporting various community and environmental programmes in an effort to build a sustainable and harmonious society.

The Company believes that the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider and prioritise ESG factors in selecting future investment projects.

### ENVIRONMENTAL

#### Emissions

Despite there is no manufacturing or construction process involved in the Company's business, the Company has quantified the greenhouse gas (GHG) emissions and resource usage of its office operation for a better ESG management. Since there is no company vehicles, the major source of GHG produced in the Year is from electricity generation which supports the office operation. The results are summarised as follows:

GHG Emissions (Note (i))	2022	2021
Scope 1 GHG Emissions (kg CO <sub>2</sub> <sup>e</sup> ) (Note (iii))	0	0
Scope 2 GHG Emissions (kg CO <sub>2</sub> <sup>e</sup> ) (Note (iii))	3,825	4,239
Scope 3 GHG Emissions (kg CO <sub>2</sub> <sup>e</sup> ) (Note (iv))	245	180
Total GHG Emissions (kg CO <sub>2</sub> <sup>e</sup> )	4,071	4,418
Emission Intensity (kg CO <sub>2</sub> <sup>e</sup> /employee)	2,035.5	2,209.1

#### Notes:

- (i) The Company's office also accommodates 6 other non-Company staff who are from its Investment Manager. As such, a factor of 1/4 is used to calculate the utility consumption accounted for the Company's staff. The calculation method of carbon emissions is based on Appendix 2 "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong. The Company's GHG inventory includes carbon dioxide (CO<sub>2</sub>) only. For the ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent (CO<sub>2</sub><sup>e</sup>).
- (ii) Scope 1 GHG Emissions refer to direct emissions from operations that are owned or controlled by the Company. During the Year, the Company had no direct emissions.
- (iii) Scope 2 GHG Emissions refer to energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Company. The disclosed figures are resulted from electricity purchased from power companies. Emission factors used for calculating carbon emission is provided by the Hong Kong Electric Company.
- (iv) Scope 3 Emissions refer to other indirect emissions that occur outside the Company. During the Year, there is no business travel, and the disclosed figures are resulted from paper waste disposed of at landfills. The amount of paper used is calculated based on the actual weight of the paper purchased with the assumption that all purchased paper will be disposed of at landfills finally.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### ENVIRONMENTAL (Cont'd)

#### Emissions (Cont'd)

The Company strives to handle waste properly to reduce impact to the environment. The Company generates both hazardous and non-hazardous wastes. For non-hazardous wastes, general wastes is produced from daily office operation, while hazardous wastes refer to the used toner cartridges from the printer in office, which are collected by suppliers. During the Year, the data of waste generated in office are as follows:

<b>Wastes (Note (i))</b>	<b>2022</b>	2021
Non-hazardous waste		
Total non-hazardous waste (kg) (Note (ii))	<b>296</b>	299
Intensity of non-hazardous waste (kg/employee)	<b>148</b>	149
Hazardous waste		
Total hazardous waste (kg) (Note (iii))	<b>0.5</b>	1.00
Intensity of hazardous waste (kg/employee)	<b>0.24</b>	0.48

#### Notes:

- (i) The Company's office also accommodates 6 other non-Company staff who are from its Investment Manager, which are excluded from the emissions data.
- (ii) Emissions data relating to non-hazardous waste was based on the daily estimated volume of general waste in office and the volume-to-weight conversion factors provided by the United States Environmental Protection Agency.
- (iii) Emissions data relating to hazardous waste was based on the actual weight of used toner cartridges.

To reduce waste generation, reuse of office stationary is widely encouraged and implemented. Recyclable toner and ink cartridges are also used. Usage of material is also evaluated regularly to avoid overstock. The Company targets to reduce paper waste in office in the future by controlling paper usage requirement.

### RESOURCE CONSERVATION

The Company basically does not rely on natural resources for its business operation. Electricity is the only major resource consumed by the Company. Despite that the Company consumes little amount of electricity and water, the importance of energy and water saving is well recognized. During the Year, the electricity consumption and its corresponding intensity are shown in the following table:

<b>Electricity Consumption (Note (i))</b>	<b>2022</b>	2021
Total electricity consumed (kWh)	<b>4,723</b>	5,233
Consumption intensity (kWh/employee)	<b>2,361.4</b>	2,616.4

#### Note:

- (i) The Company's office also accommodates 6 other non-Company staff who are from its Investment Manager. As such, a factor of 1/4 is used to calculate the utility consumption accounted for the Company's staff.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### RESOURCE CONSERVATION *(Cont'd)*

As the Company's operation is mainly office-based, the Company is committed to adopting eco-friendly measures at the office. For example, staff is encouraged to reduce paper consumption by double-sided printing and reusing papers printed on one side. In addition, the Company uses electronic systems to substitute paper-based office administration systems. To conserve water, staff is also encouraged to turn off the faucet when not in use, as well as check the pipes for leak regularly. During the Year, there was no issue in sourcing water. The Company targets to achieve water saving by making continuous effort to reduce the use of water and make sure the water tap is turned off after use.

In terms of energy saving measures, the Company has set up a number of good office practices, such as installing a mix of LED and fluorescent lights to reduce energy consumption and maintaining the room temperature at a minimum of 25°C in summer to save energy. Besides, conference or video conference calls are always preferred instead of face-to-face meeting to reduce carbon footprint. The Company is dedicated to sustaining implementation of various energy saving measures, and reducing the use of electricity. The Company targets to achieve electricity saving and hence reduction in carbon footprint in the future by exploring eco-friendly and energy-efficient initiatives for a sustainable business.

### CLIMATE CHANGE

In recent years, climate change has become a growing concern at international level. The Company recognizes the importance of identifying and managing risks associated with climate change, so it has taken different measures to assess and mitigate the risks. The Company has identified different physical risks, for instance, changes in precipitation patterns and increased extreme weather events like super typhoons, which may pose threats to the business and affect its financial performance. In addition, climate change may create various transition risks such as policy and legal risks. Operation costs of the Company might be increased with the enhancement of emissions-reporting obligations and there could be higher possibility for the Company to be exposed to litigation with increased climate-related compliance obligations.

In response, the Company has carried out risk identification to better adapt to and prepare for future extreme weather events. It also discussed with service providers to understand their company policies on extreme weather conditions and the contingency plans in advance. Besides, news alerts and communication related to impacts of climate-related risks and business sustainability are provided to enhance climate resilience of the Company. When there are extreme weather conditions or events, special work arrangement would be adopted to ensure safety of staff and the workplace.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

ESG Indicators	Overview	Sections	Page/Explanation
<b>Environmental</b>			
<b>A1 Emissions</b>	General disclosure	Emissions	39-40
<b>A1.1</b>	The types of emissions and respective emissions data.	N/A	No emissions from business operation.
<b>A1.2</b>	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity.	Emissions	39-40
<b>A1.3</b>	Total hazardous waste produced and, where appropriate, intensity.	Emissions	39-40
<b>A1.4</b>	Total non-hazardous waste produced and, where appropriate, intensity.	Emissions	39-40
<b>A1.5</b>	Description of emissions target(s) set and steps taken to achieve them.	Emissions	39-40
<b>A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions	39-40
<b>A2 Use of Resources</b>	General disclosure	Resource Conservation	40-41
<b>A2.1</b>	Direct and/or indirect energy consumption by type in total and intensity.	Resource Conservation	40-41
<b>A2.2</b>	Water consumption in total and intensity.	N/A	Water resource is maintained and paid by the landlord hence data is unavailable.
<b>A2.3</b>	Description of energy use efficiency target(s) set and steps taken to achieve them.	Resource Conservation	40-41
<b>A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Resource Conservation	40-41
<b>A2.5</b>	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	N/A	The Company's business does not involve packaging material.
<b>A3 Environmental and Natural Resources</b>	General disclosure	N/A	Not material as identified in the materiality assessment.
<b>A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	N/A	Not material as identified in the materiality assessment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Cont'd)

ESG Indicators	Overview	Sections	Page/Explanation
<b>A4 Climate Change</b>	General disclosure	Climate Change	41
<b>A4.1</b>	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	41
<b>Social</b>			
<b>B1 Employment</b>	General disclosure	Equal Employment Opportunities, Remuneration and Welfare	36-37
<b>B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	Social	36
<b>B1.2</b>	Employee turnover rate by gender, age group and geographical region.	Social	36
<b>B2 Health and Safety</b>	General disclosure	Health and Safety	37
<b>B2.1</b>	Number and rate of work-related fatalities.	Health and Safety	37
<b>B2.2</b>	Lost days due to work injury.	Health and Safety	37
<b>B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	37
<b>B3 Development and Training</b>	General disclosure	Development and Training	37
<b>B3.1</b>	The percentage of employees trained by gender and employee category.	Development and Training	37
<b>B3.2</b>	The average training hours completed per employee by gender and employee category.	Development and Training	37
<b>B4 Labour Standards</b>	General disclosure	Equal Employment Opportunities	36
<b>B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	Equal Employment Opportunities	36
<b>B4.2</b>	Description of steps taken to eliminate such practices when discovered.	Equal Employment Opportunities	36
<b>B5 Supply Chain Management</b>	General disclosure	N/A	Not material as identified in the materiality assessment.
<b>B5.1</b>	Number of suppliers by geographical region.	N/A	Not material as identified in the materiality assessment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE (Cont'd)

ESG Indicators	Overview	Sections	Page/Explanation
<b>B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A	Not material as identified in the materiality assessment.
<b>B5.3</b>	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	N/A	Not material as identified in the materiality assessment.
<b>B5.4</b>	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	N/A	Not material as identified in the materiality assessment.
<b>B6 Product Responsibility</b>	General disclosure	N/A	The Company's business does not involve product manufacturing and provision of services, hence product health and safety, advertising, labelling and privacy matters are not relevant.
<b>B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	The Company's business does not involve any products.
<b>B6.2</b>	Number of products and service-related complaints received and how they are dealt with.	N/A	The Company's business does not involve any products and services.
<b>B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Business Ethics	38
<b>B6.4</b>	Description of quality assurance process and recall procedures.	N/A	Recall procedures are not applicable as the Company's business does not involve any products.
<b>B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A	Consumer data protection is not applicable as the Company's business does not involve any consumers.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE *(Cont'd)*

ESG Indicators	Overview	Sections	Page/Explanation
<b>B7 Anti-corruption</b>	General disclosure	Business Ethics	38
<b>B7.1</b>	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Business Ethics	38
<b>B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics	38
<b>B7.3</b>	Description of anti-corruption training provided to directors and staff.	Business Ethics	38
<b>B8 Community Investment</b>	General disclosure	Community	39
<b>B8.1</b>	Focus areas of contribution.	N/A	Not material as identified in the materiality assessment.
<b>B8.2</b>	Resources contributed to the focus area.	N/A	Not material as identified in the materiality assessment.

## REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

### RESULTS AND DIVIDENDS

The Company's loss for the year ended 31 December 2022 and the Company's financial position at that date are set out in the financial statements on pages 58 to 93.

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

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 94. This summary does not form part of the audited financial statements.

### SHARE CAPITAL

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

### DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Company Law (Revised) of the Cayman Islands and the Company's Articles of Association (currently in force), amounted to US\$941,977.

## REPORT OF THE DIRECTORS

### DIRECTORS

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

#### *Executive Directors:*

Mr. ZHAO Tian

Dr. WANG Ching (*resigned on 23 March 2022*)

#### *Independent Non-executive Directors (“INEDs”):*

Dr. HUA Min

Mr. ONG Ka Thai

Mr. YICK Wing Fat Simon

#### *Non-executive Director:*

Mr. LU Xuefang

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

Dr. HUA Min and Mr. YICK Wing Fat Simon will retire by rotation at the 2023 AGM, and being eligible, offer themselves for re-election at the 2023 AGM in accordance with Articles 98(b) and 98(c) of the Company's Articles of Association.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from all INEDs, namely Dr. HUA Min, Mr. ONG Ka Thai and Mr. YICK Wing Fat Simon, and as at the date of this report still considers them to be independent.

### DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 14 to 16 of the annual report.

### CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's information since the publication of the Company's 2022 Interim Report is set out below:

<b>Name of Director</b>	<b>Change</b>
Mr. ZHAO Tian	Appointed as a director of S.I. – Paul Y. – Canvest Tunnel Company Limited (“SIPY”), an indirect subsidiary of Shanghai Industrial Holdings Limited (a company listed on the Hong Kong Stock Exchange and an indirect subsidiary of Shanghai Industrial Investment (Holdings) Company Limited, a substantial shareholder of the Company), since 11 November 2022



## REPORT OF THE DIRECTORS

### DIRECTORS' SERVICE CONTRACTS

The INEDs of the Company each has a service contract with the Company for a term of three years. Dr. HUA Min's current service contract commenced on 28 September 2020, Mr. ONG Ka Thai's current service contract commenced on 1 June 2022 and Mr. YICK Wing Fat Simon's current service contract commenced on 1 August 2022. All of them are subject to termination by either party giving not less than one month's written notice. Each INED is entitled to annual remuneration of HK\$130,000.

In compliance with Code Provision C.3.3 of CG Code, Executive Directors and other Non-executive Directors have also executed respective service contracts with the Company for an indefinite term, with no entitlement to any remuneration from the Company. They are, however, subject to retirement by rotation at least once every three years pursuant to the Company's Articles of Association.

### PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director shall be entitled to be indemnified out of the funds of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office otherwise in relation thereto. A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2022. The Company has maintained liability insurance to provide appropriate cover for the Directors of the Company.

### DIRECTORS' REMUNERATION

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

### INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager"), in accordance with the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager dated 12 November 1993, as supplemented by supplemental agreements dated 22 January 2001, 12 September 2001, 3 November 2003, 11 April 2005, 28 March 2008, 28 March 2011, 19 March 2014, 23 March 2017 and 17 March 2020 respectively (collectively referred to as the "Supplemental Agreements"). For the aforesaid continuing connected transaction, certain details are disclosed below in compliance with the requirements of Chapter 14A of the Listing Rules. In accordance with the terms of the agreements, the Investment Manager is entitled to receive management fee inclusive of administration fee and an incentive fee.

The investment management and administration fee is calculated in United States dollars ("US\$") and payable quarterly in advance, at the rate of 0.5% per quarter of the net asset value (calculated before deduction of fees payable to the Investment Manager, the investment adviser and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

On 17 March 2020, the Company and the Investment Manager entered into the Ninth Supplemental Agreement, which was approved by the independent Shareholders of the Company at the annual general meeting held on 22 May 2020. The terms were amended as follows:

- (1) The appointment of the Investment Manager under the Investment Management Agreement shall be extended for a term of three years commencing from 1 July 2020 to 30 June 2023. The Investment Manager shall be entitled to resign its appointment under the Investment Management Agreement, and the Company may by resolution of the Board terminate the appointment of the Investment Manager, in either case by giving not less than two months' prior notice in writing to the Company or the Investment Manager (as the case may be).

## REPORT OF THE DIRECTORS

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

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

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

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

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

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

<b>Period</b>	<b>Amount</b> <i>(Note)</i>
From 1 July 2020 to 31 December 2020 inclusive	US\$65,000 (approximately HK\$507,000)
For the year 2021	US\$160,000 (approximately HK\$1,248,000)
For the year 2022	US\$210,000 (approximately HK\$1,638,000)
From 1 January 2023 to 30 June 2023 inclusive	US\$130,000 (approximately HK\$1,014,000)

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

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

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

## REPORT OF THE DIRECTORS

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

#### *Reasons for Revising the Definition of High Water Mark*

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

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

During the year ended 31 December 2022, investment management and administration fees of US\$50,794 were paid to the Investment Manager, no incentive fee was entitled during the relevant period.

The INEDs of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Ernst & Young, the Company's auditor, were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Company in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

As at 31 December 2022, Mr. ZHAO Tian and Mr. LU Xuefang were also directors of the Investment Manager.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

None of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as at 31 December 2022.

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company was a party during the year.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

None of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

At no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

### CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business in which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

At 31 December 2022, as far as the Directors were aware, the following entities or persons had interests and short positions of 5% or more of the issued shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name	Capacity	Number of shares	Percentage of total issued shares	Notes
Shanghai Industrial Investment (Holdings) Company Limited	Held by controlled corporation	1,884,792	17.64%	(1)
Mr. Yuan Chufeng	Held by controlled corporation	1,781,000	16.67%	(2)
Rosebrook Opportunities Fund LP	Investment manager	1,216,701	11.39%	

#### *Notes:*

- (1) Shanghai Industrial Investment (Holdings) Company Limited has an indirect interest of 1,884,792 shares in the Company through its 100% indirect ownership in Eternity Business (HK) Investment Limited.
- (2) Mr. Yuan Chufeng's indirect interest in the Company were 1,781,000 shares by virtue of his 100% control over ZKJK Capital Management Limited.

Save as disclosed above, as at 31 December 2022, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## REPORT OF THE DIRECTORS

### MAJOR CUSTOMERS AND SUPPLIERS

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

### EMOLUMENT POLICY

The emolument policy of the employees of the Company is set up by the Remuneration Committee based on the employee's credential qualifications and competence. In addition, the emoluments of the INEDs are decided by the Board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics, whereas no emoluments are determined for the Executive Directors or the Non-executive Directors of the Company.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

### AUDITOR

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

On behalf of the Board

**Shanghai International Shanghai Growth Investment Limited**

**ZHAO Tian**

*Executive Director*

Hong Kong, 22 March 2023

## INDEPENDENT AUDITOR'S REPORT



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### To the shareholders of Shanghai International Shanghai Growth Investment Limited

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

### OPINION

We have audited the financial statements of Shanghai International Shanghai Growth Investment Limited (the "Company") set out on pages 58 to 93, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Shanghai International Shanghai Growth Investment Limited

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

### KEY AUDIT MATTERS *(Cont'd)*

#### Key audit matter

#### How our audit addressed the key audit matter

#### Valuation of the unlisted investment in Global Market Group Limited ("GMG")

The unlisted investment in GMG was classified as a financial asset at fair value through profit or loss in the statement of financial position at 31 December 2022.

We focused on this area because selecting both the valuation technique and the inputs to the valuation technique used to estimate the fair value of GMG involves significant judgment. The estimation process requires management to make assumptions that include, amongst others, enterprise value to sales ("EV/S") ratio and discount for lack of marketability ("DLOM").

As at 31 December 2022, the investment was valued at nil as disclosed in note 13 and was categorised within Level 3 in the fair value hierarchy as set out in note 19 to the financial statements.

The procedures we performed that addressed the key audit matter included, amongst others:

We have evaluated the valuation technique used, the comparable companies and market multiples selected and the discount applied by the management in the valuation model under the current circumstance with the following:

- Obtained an understanding of the process for the preparation, review, approval and recording of the valuation of the investment;
- Sent a confirmation to the investee company to confirm the Company's shareholding;
- Evaluated the competence, capabilities and objectivity of management's specialist;
- Involved internal specialists to assess the appropriateness of the valuation technique selected by reference to market practice for similar investments;
- Evaluated unobservable inputs including the EV/S and DLOM by comparing to assumptions used by market participants when valuing similar investments; and
- Obtained the financial information of the investee company and analysed the financial performance of the investee company.

We have assessed the adequacy of the financial statement disclosures regarding fair value hierarchy.

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Shanghai International Shanghai Growth Investment Limited

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

### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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



## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of Shanghai International Shanghai Growth Investment Limited

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Shanghai International Shanghai Growth Investment Limited**

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Man Kin.

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong

22 March 2023

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 US\$	2021 US\$
<b>INCOME AND LOSS ON INVESTMENTS</b>			
Interest income		2,108	41
Dividend income		24,016	25,571
Other income	5	6,117	506
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss	7	21,210	(47,787)
Net loss on disposal of financial assets at fair value through profit or loss	7	(480,912)	(154,799)
Exchange gain		1,389	–
		<b>(426,072)</b>	<b>(176,468)</b>
<b>EXPENSES AND LOSS</b>			
Investment manager's fees	17(a)	(50,794)	(69,359)
Administrative expenses		(493,647)	(455,324)
Exchange loss		–	(7,094)
		<b>(544,441)</b>	<b>(531,777)</b>
Loss before tax	6	(970,513)	(708,245)
Income tax	10	–	–
<b>LOSS FOR THE YEAR</b>		<b>(970,513)</b>	<b>(708,245)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(970,513)</b>	<b>(708,245)</b>
<b>LOSS PER SHARE – BASIC AND DILUTED</b>	12	<b>US9.08 cents</b>	US6.63 cents

## STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 US\$	2021 US\$
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	13	452,856	1,658,595
Total non-current assets		452,856	1,658,595
<b>CURRENT ASSETS</b>			
Prepayments		43,675	42,835
Cash and bank balances	14	1,636,507	1,376,307
Total current assets		1,680,182	1,419,142
<b>CURRENT LIABILITIES</b>			
Provision and accruals		70,080	44,288
Amount due to the investment manager	17(c)	52,381	52,359
Total current liabilities		122,461	96,647
<b>NET CURRENT ASSETS</b>		1,557,721	1,322,495
<b>NET ASSETS</b>		2,010,577	2,981,090
<b>EQUITY</b>			
Share capital	15	1,068,600	1,068,600
Reserves		941,977	1,912,490
Total equity		2,010,577	2,981,090
<b>NET ASSET VALUE PER SHARE</b>	16	0.19	0.28

**LU Xuefang**  
Director

**ZHAO Tian**  
Director

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Note	Share capital US\$	Share premium account US\$	Capital reserve US\$ (Note a)	Accumulated losses US\$	Total US\$
At 31 December 2021		1,068,600	12,921,815*	(5,852,250)*	(5,157,075)*	2,981,090
Total comprehensive loss for the year		-	-	-	(970,513)	(970,513)
Transfer from accumulated losses (Note a):						
Net unrealised gain on change in fair value of financial assets at fair value through profit or loss	7	-	-	21,210	(21,210)	-
At 31 December 2022		<b>1,068,600</b>	<b>12,921,815*</b>	<b>(5,831,040)*</b>	<b>(6,148,798)*</b>	<b>2,010,577</b>
At 31 December 2020		1,068,600	12,921,815	(5,804,463)	(4,496,617)	3,689,335
Total comprehensive loss for the year		-	-	-	(708,245)	(708,245)
Transfer from accumulated losses (Note a):						
Net unrealised loss on change in fair value of financial assets at fair value through profit or loss	7	-	-	(47,787)	47,787	-
At 31 December 2021		1,068,600	12,921,815*	(5,852,250)*	(5,157,075)*	2,981,090

\* These reserve accounts comprise the reserves of US\$941,977 (2021: US\$1,912,490) in the statement of financial position.

## Notes:

- a. Pursuant to the Company's Amended and Restated Memorandum and Articles of Association passed on 29 November 2022, profits arising from the realisation of investments shall be available for distribution as dividends. Profits arising from revaluation of investments may be available for distribution as dividends only at the discretion of the board of directors. As a result, a net unrealised loss on change in fair value of financial assets at fair value through profit or loss is transferred from accumulated losses to the capital reserve.

During the year ended 31 December 2022, a net unrealised gain on change in fair value of financial assets at fair value through profit or loss of US\$21,210 was transferred from accumulated losses to the capital reserve (2021: net unrealised loss of US\$47,787).

## STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 US\$	2021 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		(970,513)	(708,245)
Adjustments for:			
Interest income		(2,108)	(41)
Dividend income		(24,016)	(25,571)
Net loss on disposal of financial assets at fair value through profit or loss		480,912	154,799
Net change in unrealised (gain)/loss on financial assets at fair value through profit or loss		(21,210)	47,787
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(536,935)	(531,271)
Decrease/(increase) in financial assets at fair value through profit or loss		746,037	(1,574,663)
(Increase)/decrease in prepayments		(840)	2,980
Increase/(decrease) in provision and accruals		25,792	(5,315)
Increase in an amount due to the investment manager		22	525
		<hr/>	<hr/>
Cash generated from/(used in) operations		234,076	(2,107,744)
Interest received		2,108	41
Dividend received		24,016	25,571
		<hr/>	<hr/>
Net cash flows generated from/(used in) operating activities		260,200	(2,082,132)
		<hr/>	<hr/>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>260,200</b>	<b>(2,082,132)</b>
Cash and cash equivalents at beginning of year		1,376,307	3,458,439
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,636,507</b>	<b>1,376,307</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances	14	1,636,507	1,376,307
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>		<b>1,636,507</b>	<b>1,376,307</b>
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest dollar except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41
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The nature and the impact of the revised HKFRSs that are applicable to the Company are described below:

*HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Company has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Company’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Company.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2, 4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments on the Company's accounting policy disclosures.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Fair value measurement*

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Related parties*

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Investments and other financial assets*

##### Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. The Company's investments in unlisted and listed equity securities are designated as at fair value through profit or loss and the Company expects to hold the investments for more than twelve months.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### Subsequent measurement

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

##### **Financial assets at amortised cost**

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

##### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Investments and other financial assets (Cont'd)*

##### *Subsequent measurement (Cont'd)*

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

#### *Derecognition of financial assets*

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Impairment of financial assets*

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

#### **General approach**

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

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

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

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Financial liabilities*

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

##### Subsequent measurement

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### *Derecognition of financial liabilities*

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

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

#### *Offsetting of financial instruments*

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

#### *Cash and cash equivalents*

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Employee benefits*

##### Pension scheme

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

#### *Fees and commission*

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

#### *Income tax*

##### The Cayman Islands

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

##### Hong Kong

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if any, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Income tax (Cont'd)*

#### *Hong Kong (Cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, if any, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

#### *Revenue recognition*

Interest income from a financial asset excluding financial assets at fair value through profit or loss is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income from investments in securities is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Dividends*

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

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

#### *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### *Foreign currencies*

These financial statements are presented in United States dollars, which is the Company's functional currency. Foreign currency transactions are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on the translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### *Judgements*

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

#### *Going concern*

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

#### *Estimation uncertainty*

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

#### *Fair value of financial instruments*

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### *Estimation uncertainty (Cont'd)*

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

HKFRS 13 requires disclosures relating to fair value measurements using a three-tier fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Company performs a sensitivity analysis (note 19).

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### 4. OPERATING SEGMENT INFORMATION

For management purposes and information used by the Company's executive directors, as the chief operating decision makers, the Company is organised into business units based on the categories of investments and has two reportable operating segments as follows:

- |                     |   |   |
|---------------------|---|---|
| Listed securities   | – | Investments in equity securities listed on relevant stock exchanges |
| Unlisted securities | – | Investments in unlisted equity securities                           |

Further details of the Company's investments are included in note 13 to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

Year ended 31 December 2022	Listed securities US\$	Unlisted securities US\$	Total US\$
Segment results	<u>(435,686)</u>	–	<u>(435,686)</u>
Interest income from bank deposits			2,108
Exchange gain			1,389
Other income			6,117
Unallocated expenses			<u>(544,441)</u>
Loss before tax			<u>(970,513)</u>

For the year ended 31 December 2022, segment results represented the net loss on disposal of listed equity securities classified as financial assets at fair value through profit or loss, net loss on change in fair value of listed equity securities classified as financial assets at fair value through profit or loss, and the corresponding dividend income earned by each segment without the allocation of administrative expenses and the investment manager's fees.

Year ended 31 December 2021	Listed securities US\$	Unlisted securities US\$	Total US\$
Segment results	<u>(177,015)</u>	–	<u>(177,015)</u>
Interest income from bank deposits			41
Exchange loss			(7,094)
Other income			506
Unallocated expenses			<u>(524,683)</u>
Loss before tax			<u>(708,245)</u>

For the year ended 31 December 2021, segment results also represented the net loss on disposal of listed equity securities classified as financial assets at fair value through profit or loss, net loss on change in fair value of both listed and unlisted equity securities classified as financial assets at fair value through profit or loss, and the corresponding dividend income earned by each segment without the allocation of administrative expenses and the investment manager's fees.

As management considers that the Company's nature of business is investment holding, there was no information regarding major customers as determined by the Company and no segment revenue is presented.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

<b>At 31 December 2022</b>	<b>Listed securities US\$</b>	<b>Unlisted securities US\$</b>	<b>Total US\$</b>
Financial assets at fair value through profit or loss	<u>452,856</u>	–	<u>452,856</u>
Total segment assets	<u>452,856</u>	–	<u>452,856</u>
Unallocated assets			<u>1,680,182</u>
Total assets			<u>2,133,038</u>
At 31 December 2021	Listed securities US\$	Unlisted securities US\$	Total US\$
Financial assets at fair value through profit or loss	<u>1,658,595</u>	–	<u>1,658,595</u>
Total segment assets	<u>1,658,595</u>	–	<u>1,658,595</u>
Unallocated assets			<u>1,419,142</u>
Total assets			<u>3,077,737</u>

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than prepayments, and cash and bank balances.

All liabilities as at 31 December 2022 and 2021 were unallocated liabilities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 5. OTHER INCOME

An analysis of other income is as follows:

	<b>2022</b>	2021
	<b>US\$</b>	US\$
Government grants	<b>5,505</b>	–
Refund of administrative expenses	<b>612</b>	506
	<b>6,117</b>	506

During the year ended 31 December 2022, government grants from the Hong Kong Special Administrative Region (“HKSAR”) Government Employment Support Scheme (“ESS”) have been received for retaining employees who may otherwise be made redundant. The related salary expenditure for which the government grant are intended to compensate has been fully undertaken and recognised as other income. There are no unfulfilled conditions or contingencies relating to these grants.

### 6. LOSS BEFORE TAX

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

	<b>2022</b>	2021
	<b>US\$</b>	US\$
Auditor’s remuneration	<b>50,944</b>	51,099
Custodian fee	<b>8,739</b>	9,992
Employee benefit expense (excluding directors’ remuneration ( <i>Note 8</i> ))		
Salaries and other benefits	<b>188,268</b>	186,399
Retirement benefit costs	<b>4,596</b>	4,631

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 7. GAIN OR LOSS ON INVESTMENTS

<b>At 31 December 2022</b>	<b>Listed securities US\$</b>	<b>Unlisted securities US\$</b>	<b>Total US\$</b>
Included in profit or loss:			
Realised loss:			
Financial assets at fair value through profit or loss	<b>(480,912)</b>	–	<b>(480,912)</b>
Unrealised gain:			
Financial assets at fair value through profit or loss	<b>21,210</b>	–	<b>21,210</b>
Total realised and unrealised loss included in profit or loss	<b>(459,702)</b>	–	<b>(459,702)</b>
Total realised and unrealised loss for the year	<b>(459,702)</b>	–	<b>(459,702)</b>
At 31 December 2021	Listed securities US\$	Unlisted securities US\$	Total US\$
Included in profit or loss:			
Realised loss:			
Financial assets at fair value through profit or loss	(154,799)	–	(154,799)
Unrealised loss:			
Financial assets at fair value through profit or loss	(47,787)	–	(47,787)
Total realised and unrealised loss included in profit or loss	(202,586)	–	(202,586)
Total realised and unrealised loss for the year	(202,586)	–	(202,586)



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 8. DIRECTORS' REMUNERATION

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

	<b>2022</b>	2021
	<b>US\$</b>	US\$
Fees:		
Dr. HUA Min	<b>16,600</b>	16,722
Mr. ONG Ka Thai	<b>16,600</b>	16,722
Mr. YICK Wing Fat, Simon	<b>16,599</b>	16,723
	<b>49,799</b>	50,167

Except for the directors' fees paid to the independent non-executive directors totalling US\$49,799 (2021: US\$50,167), none of the directors has received any other emoluments for 2022 and 2021.

There were no other emoluments payable to the directors during the year (2021: Nil).

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	<b>2022</b>	2021
	<b>US\$</b>	US\$
Salaries, allowances and benefits in kind	<b>188,268</b>	186,399
Pension scheme contributions	<b>4,596</b>	4,631
	<b>192,864</b>	191,030

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2022</b>	2021
Nil to HK\$1,000,000	<b>2</b>	2
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
	<b>2</b>	2

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 10. INCOME TAX

No provision for Hong Kong profits tax has been made in the financial statements as the Company did not generate assessable profits arising in Hong Kong for the year ended 31 December 2022 (2021: Nil).

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2022		2021	
	US\$	%	US\$	%
Loss before tax	<u>(970,513)</u>		<u>(708,245)</u>	
Tax at the statutory tax rate	(160,135)	16.5	(116,861)	16.5
Tax losses not recognized	164,845	(17.0)	118,659	(16.8)
Income not subject to tax	(5,320)	0.6	(4,225)	0.6
Expenses not deductible for tax	610	(0.1)	2,427	(0.3)
Tax charge at the Company's effective rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

### 11. DIVIDENDS

No dividend has been proposed by the directors for the year ended 31 December 2022 (2021: Nil).

### 12. LOSS PER SHARE – BASIC AND DILUTED

The calculation of the basic loss per share is based on the loss for 2022 only of US\$970,513 (2021: loss of US\$708,245) and the weighted average number of ordinary shares of 10,686,000 (2021: 10,686,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of dilution as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 US\$	2021 US\$
Non-current:		
Unlisted equity investment - Ordinary shares, at fair value		
– Global Market Group Limited (“GMG”)	–	–
Listed equity investments, at fair value	<b>452,856</b>	1,658,595
Total	<b>452,856</b>	1,658,595

Unlisted equity investment - Ordinary shares, at fair value:

The above unlisted investment at 31 December 2022 represented 8,734,897 ordinary shares of GMG which was 9.36% of GMG’s total issued ordinary shares (2021: 9.36%).

As at 31 December 2022 and 2021, the value of GMG’s ordinary shares was measured using the relative valuation model. Management considered both quantitative and qualitative information including GMG’s financial performance and its ability to attract new funding in the future. During the years ended 31 December 2022 and 2021, based on the available financial information, the management believed that GMG would not have sufficient working capital to maintain its business operation due to continuous operating losses and potential contingent liabilities involved. In addition, GMG had no capital raising plan in the near future. Hence, the management believed that GMG’s business model would not be sustainable and the unlisted investment is valued at nil (2021: written down to nil).

Listed equity investments, at fair value:

The Company’s investments in listed equity securities are classified as at fair value through profit or loss. The Company considered these investments to be strategic in nature.

During the year ended 31 December 2022, the net fair value loss in respect of the Company’s Hong Kong investments recognised in profit or loss amounted to US\$459,702 (2021: a net fair value loss of US\$202,586), of which a net loss of US\$480,912 (2021: a net loss of US\$154,799) was recognised upon disposal of the listed equity investments for the year.

### 14. CASH AND BANK BALANCES

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

### 15. SHARE CAPITAL

	2022 US\$	2021 US\$
Authorised:		
18,000,000 (2021: 18,000,000) ordinary shares of US\$0.10 each	<b>1,800,000</b>	1,800,000
Issued and fully paid		
10,686,000 (2021: 10,686,000) ordinary shares of US\$0.10 each	<b>1,068,600</b>	1,068,600

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 16. NET ASSET VALUE PER SHARE

The calculation of the net asset value (“NAV”) per share is based on the Company’s NAV of US\$2,010,577 as at 31 December 2022 (2021: US\$2,981,090) and the number of ordinary shares of 10,686,000 in issue as at 31 December 2022 (2021: 10,686,000).

### 17. RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	<b>2022</b> <b>US\$</b>	2021 US\$
Investment management and administration fees charged by the Investment Manager	(i)	<b>50,794</b>	69,359

*Notes:*

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

In accordance with the terms of the investment management agreement and the ninth supplemental agreements (collectively the “Investment Management Agreements”), the management and administration fees are calculated and payable quarterly in advance at 0.5% of the NAV (calculated before deductions of the fees payable to the Investment Manager and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter.

- (ii) With effect from the year ended 31 December 2014, the Investment Manager is entitled to an incentive fee equal to 20% of the excess amount by which the NAV of the Company as at 31 December of each year exceeds the high water mark, i.e., the highest NAV as at 31 December in any year less the aggregate amount of all dividends paid by the Company during the year. As defined in the seventh supplemental agreement dated 19 March 2014 to the Investment Management Agreements, the initial high water mark should be the NAV as at 31 December 2010, being US\$31,048,060. With effect from 1 July 2017, as defined in the eighth supplemental agreement dated 23 March 2017, the high water mark has been reset to the NAV as at 31 December 2016, being US\$8,182,713.

During the year ended 31 December 2022, the Investment Manager was not entitled to receive any incentive fee in relation to the performance of the Company (2021: Nil), in accordance with the incentive fee calculation of the Investment Management Agreements.

The above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Other transactions with a related party  
Employee benefit expense was paid for administrative services provided by two employees of the Investment Manager who were seconded and provided administrative services only to the Company. The employee benefit expense was paid by the Investment Manager and charged back to the Company in the form of fee note every quarter which is normally settled at the beginning of each quarter. Details of employee benefit expense is included in note 6 to the financial statements.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 17. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Outstanding balance with a related party:

An amount due to the Investment Manager comprises mainly the employee benefit expense payable and the Investment Manager's fee payable. The Company had an outstanding amount due to the Investment Manager of US\$52,381 (2021: US\$52,359) as at the end of the reporting period. This balance is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Company:

The key management personnel of the Company comprise the directors of the Company. Details of directors' emoluments are included in notes 8 and 9 to the financial statements.

### 18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets	Financial assets at fair value through profit or loss* US\$	Financial assets at amortised cost US\$	Total US\$
Financial assets at fair value through profit or loss	452,856	–	452,856
Cash and bank balances	–	1,636,507	1,636,507
	<b>452,856</b>	<b>1,636,507</b>	<b>2,089,363</b>

\* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US\$
Amount due to the investment manager	<b>52,381</b>

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Cont'd)

2021

Financial assets	Financial assets at fair value through profit or loss* US\$	Financial assets at amortised cost US\$	Total US\$
Financial assets at fair value through profit or loss	1,658,595	–	1,658,595
Cash and bank balances	–	1,376,307	1,376,307
	<u>1,658,595</u>	<u>1,376,307</u>	<u>3,034,902</u>

\* Designated as such upon initial recognition

Financial liabilities	Financial liabilities at amortised cost US\$
Amount due to the investment manager	<u>52,359</u>

### 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The financial assets at fair value through profit or loss held by the Company are carried at fair value.

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

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

The fair values of listed equity investments are based on quoted market prices. The fair value of an unlisted equity investment designated as at fair value through profit or loss has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to sales ("EV/S") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a sales measure. The multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding sales measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair value resulting from the valuation technique, further adjusted by the cash amount, potential contingent liabilities and non-controlling interests and the decision to continuously value at nil is reasonable and the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instrument together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Amount	Sensitivity of fair value to the input
Unlisted equity investment	Relative valuation model	*EV/S ratio	2022: 0.77X (2021: 0.86X)	10% (2021: 10%) increase/decrease in EV/S ratio would result in increase/decrease in fair value by nil (2021: Nil) (note a).
		Revenue	2022: US\$6.54 million (2021: US\$5.83 million)	10% (2021: 10%) increase/decrease in revenue would result in increase/decrease in fair value by nil (2021: Nil) (Note a).
		Discount for lack of marketability	2022: 40% (2021: 40%)	10% (2021: 10%) increase/decrease in discount would result in increase/decrease in fair value by nil (2021: Nil).

Note a: The 2022 and 2021 fair value of the unlisted equity investment was written down to nil, so the inputs would not result in any impact on its fair value.

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Fair value hierarchy

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

Assets measured at fair value:

**As at 31 December 2022**

	Fair value measurement using			Total US\$
	Quoted price in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
Financial assets at fair value through profit or loss:				
Listed equity investments	452,856	–	–	452,856
Unlisted equity investment	–	–	–	–
	<b>452,856</b>	<b>–</b>	<b>–</b>	<b>452,856</b>

As at 31 December 2021

	Fair value measurement using			Total US\$
	Quoted price in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
Financial assets at fair value through profit or loss:				
Listed equity investments	1,658,595	–	–	1,658,595
Unlisted equity investment	–	–	–	–
	<b>1,658,595</b>	<b>–</b>	<b>–</b>	<b>1,658,595</b>

The Company did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2021: Nil) and no transfers into or out of Level 3 for financial assets at fair value through profit or loss (2021: Nil).



## NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise investments in listed securities, unlisted securities, cash and bank balances, and an amount due to the investment manager.

The main risks arising from the Company's financial instruments are equity price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

#### *Market risk*

The Company's exposures to market risk include equity price risk, foreign currency risk and interest rate risk.

#### (i) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Company is exposed to equity price risk arising from mainly individual equity investments included in financial assets at fair value through profit or loss (note 13) as at 31 December 2022. The Company's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange from the close of business of the nearest trading day in the year to the end of the reporting period and its respective highest and lowest points during the year were as follows:

	<b>31 December 2022</b>	<b>High/low 2022</b>	31 December 2021	High/low 2021
Hong Kong				
– Hang Seng Index ("HSI")	<b>19,781</b>	<b>24,966/ 14,687</b>	23,398	31,085/ 22,745

The Company views the HSI as an indication of a reasonably possible market movement for its securities listed in Hong Kong. The following table demonstrates the sensitivity to a reasonably possible change of 7.50% (2021: 2.79%) in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

As at 31 December 2022, the investment in GMG was valued using the relative valuation model where the comparable companies used in the model were listed on different stock exchanges. Management's best estimate of the effect on the change in loss before tax and equity due to a reasonably possible increase of 10% in the EV/S ratio or the revenue of GMG, with all variables held constant, amounted to nil (2021: nil). An equivalent decrease in the EV/S ratio or the revenue of GMG would have resulted in an equivalent, but opposite, impact.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Market risk (Cont'd)

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

	Possible change of HSI	Carrying amount of equity investments US\$	(Decrease)/ Increase in loss before tax US\$	Increase/ (decrease) in equity* US\$
<b>2022</b>				
Investments listed in Hong Kong				
– Financial assets at fair value through profit or loss	+/-7.5%	452,856	(34,000)/ 34,000	–
<b>2021</b>				
Investments listed in Hong Kong				
– Financial assets at fair value through profit or loss	+/-2.79%	1,658,595	(46,000)/ 46,000	–

\* Excluding accumulated losses

#### (ii) Foreign currency risk

Certain financial assets and liabilities of the Company including cash and bank balances, an amount due to the investment manager, investments in unlisted securities and investments in listed securities are denominated in Renminbi (“RMB”), HK\$ and US\$. The Company currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In 2022, the Company was mainly exposed to fluctuations in the exchange rate of RMB (2021: RMB) against US\$. As HK\$ is pegged to US\$, the exposure to fluctuations in the exchange rate of HK\$ is not considered to be significant, and thus, this effect is not considered in the sensitivity analysis below.

Management considered the sensitivity to a reasonably possible change between US\$ and RMB as shown in the table below for assessing the currency risk, after considering the average exchange rates between the currencies in 2022 and 2021. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Market risk (Cont'd)

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

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax US\$
<b>2022</b>		
If the US\$ weakens against the RMB	<b>(8.56)</b>	<b>(1,028)</b>
If the US\$ strengthens against the RMB	<b>8.56</b>	<b>1,028</b>
2021		
If the US\$ weakens against the RMB	(2.6)	(429)
If the US\$ strengthens against the RMB	2.6	429

#### (iii) Interest rate risk

Management closely monitors interest rate movements and manages the potential risk. The Company currently does not have an interest rate hedging policy. However, management monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Company is exposed to cash flow interest rate risk through the impact of rate changes on interest-bearing financial assets, which are variable rate bank balances of US\$1,636,507 (2021: US\$1,376,307).

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

#### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss on the Company by failing to discharge an obligation.

The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Company's policy to enter into financial instruments with reputable counterparties.

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Credit risk (Cont'd)

The Investment Manager closely monitors the creditworthiness of the Company's counterparties (e.g., brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

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

#### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

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

#### As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$		
Cash and bank balances						
– Not yet past due	<b>1,636,507</b>	–	–	–	–	<b>1,636,507</b>
	<b>1,636,507</b>	–	–	–	–	<b>1,636,507</b>

#### As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$		
Cash and bank balances						
– Not yet past due	1,376,307	–	–	–	–	1,376,307
	1,376,307	–	–	–	–	1,376,307

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Liquidity risk

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

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

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

Analysis of financial assets at fair value through profit or loss by maturity grouping is based on the expected date on which these assets will be realised. For other assets, the analysis by maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

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

	Notes	On demand US\$	Less than 1 year US\$	1 to 5 years US\$	Total US\$
<b>2022</b>					
Financial assets at fair value through profit or loss	13	–	452,856	–	452,856
Cash and bank balances	14	1,636,507	–	–	1,636,507
Total financial assets		1,636,507	452,856	–	2,089,363
Amount due to the investment manager	17(c)	52,381	–	–	52,381
Total financial liability		52,381	–	–	52,381

## NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

#### Liquidity risk (Cont'd)

	Notes	On demand US\$	Less than 1 year US\$	1 to 5 years US\$	Total US\$
2021					
Financial assets at fair value through profit or loss	13	–	–	1,658,595	1,658,595
Cash and bank balances	14	1,376,307	–	–	1,376,307
Total financial assets		1,376,307	–	1,658,595	3,034,902
Amount due to the investment manager	17(c)	52,359	–	–	52,359
Total financial liability		52,359	–	–	52,359

#### Capital management

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

The Company actively and regularly reviews and manages its capital structure and makes adjustments to it in light of the changes in the Company's business and economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

### 21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2023.

## FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below:

	Year ended 31 December				
	2018 US\$'000	2019 US\$'000	2020 US\$'000	2021 US\$'000	2022 US\$'000
<b>RESULTS</b>					
Income	30	254	593	26	<b>33</b>
Expenses	(2,714)	(810)	(555)	(734)	<b>(1,004)</b>
(Loss)/profit before tax	(2,684)	(556)	38	(708)	<b>(971)</b>
Tax	–	–	–	–	–
(Loss)/profit for the year	(2,684)	(556)	38	(708)	<b>(971)</b>
(Loss)/earnings per share (US cents)					
– Basic and diluted	(25.12)	(5.20)	0.35	(6.63)	<b>(9.08)</b>
<b>ASSETS AND LIABILITIES</b>					
	At 31 December				
	2018 US\$'000	2019 US\$'000	2020 US\$'000	2021 US\$'000	2022 US\$'000
Total assets	4,294	3,746	3,791	3,078	<b>2,133</b>
Total liabilities	86	94	101	97	<b>122</b>
Net assets	4,208	3,652	3,690	2,981	<b>2,011</b>
Net asset value per share	US\$0.39	US\$0.34	US\$0.35	US\$0.28	<b>US\$0.19</b>