

# SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

## 滬光國際上海發展投資有限公司

The unaudited net asset value (“NAV”) of Shanghai International Shanghai Growth Investment Limited (the “Company”) was US\$20,243,659 as at 30 September 2012, with a corresponding NAV per share of US\$2.27, up by 0.89% from the end of June 2012.

### CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2010	2011	3Q2012 (cumulative)
Gross Domestic Product (“GDP”)	10.4	9.3	7.7
Value added industrial output	15.7	13.9	10.0
Retail sales	18.4	17.1	14.1
Consumer Price Index (“CPI”)	3.3	5.4	2.8
Fixed asset investments	24.5	23.8	20.5
Exports	31.3	20.3	7.4
Imports	38.7	24.9	4.8
Trade surplus (US\$ billion)	183.1	155.1	148.3
Foreign exchange reserve (US\$ billion)	2,847	3,181	3,285

Source: Published information, Bloomberg

### China Economy

China’s GDP recorded a 7.4% growth year-on-year in the third quarter of 2012, and a 7.7% growth quarter-on-quarter for the first three quarters of the year. Owing to a combination of factors such as shrinking demand, increasing costs, excess supply and decreasing corporate profits, the growth in China’s economy has been slowing and consolidating since the beginning of the year.

“Stable Growth” is the emphasis of the China economy, which is experiencing sustained sluggishness because of deteriorating foreign demand and weakening domestic consumption. Despite the recent launching of a policy on export stabilization, the crucial factors for revitalizing China’s economy in the short term lie in maintaining foreign direct investments and increased investments in infrastructure. The recent approval of various infrastructure projects totalling about 1,000 billion Yuan is expected to spur a ripple effect with the economy bottoming out with a slight recovery in the fourth quarter.

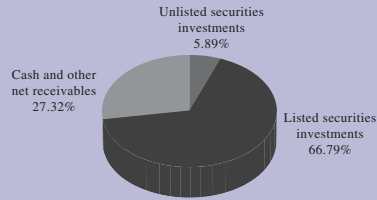
## THE COMPANY'S NAV PERFORMANCE

Date	Dividends paid (cumulative) per share US\$	NAV per share		Share Price	
		US\$	%*	US\$	%*
30 November 1993	–	9.90	N/A	10.00	N/A
31 December 1994	–	9.49	-4.1	5.60	-44.0
31 December 1995	–	9.76	-1.4	4.55	-54.5
31 December 1996	–	10.77	8.8	7.40	-26.0
31 December 1997	–	10.01	1.1	6.20	-38.0
31 December 1998	–	9.40	-5.1	4.80	-52.0
31 December 1999	–	10.41	5.2	4.60	-54.0
31 December 2000	3.30	7.12	5.3	3.48	-32.3
31 December 2001	3.60	6.83	5.4	3.23	-31.8
31 December 2002	4.60	5.88	5.9	2.80	-26.0
31 December 2003	5.00	6.06	11.7	3.60	-14.0
31 December 2004	5.80	6.44	23.6	4.60	4.0
31 December 2005	7.30	4.03	14.4	3.93	12.3
31 December 2006	8.50	3.11	17.3	2.10	6.0
31 December 2007	9.00	3.03	21.5	2.30	13.0
31 December 2008	9.20	2.43	17.5	1.95	11.5
31 December 2009	9.30	2.41	18.3	1.70	10.0
31 December 2010	9.40	3.49	30.2	1.54	9.4
31 December 2011	10.40	2.65	31.8	1.60	20.0
30 September 2012	10.50	2.27	29.0	1.53	20.3

\* performance compared to 30 November 1993 (cum-dividend)

## PORTFOLIO ALLOCATION

As at 30 September 2012	US\$	%
Investment in unlisted securities	1,192,909	5.89
Investment in listed securities	13,520,702	66.79
Cash and other net receivables	5,530,048	27.32
<b>NET ASSET VALUE</b>	<b>20,243,659</b>	<b>100.00</b>



## UNLISTED INVESTMENTS UPDATE

### China Material Technology Limited (“CMT”)

The Company invested US\$2.5 million in CMT for a 2.96% equity interest therein. South Polar Lights Steel (Shanghai) Co. Ltd. (“SPLS”), a wholly-owned subsidiary of CMT, is engaged in the production and sales of hot-rolled galvanized steel.

The share transfer and relevant settlement procedures on the sale of CMT’s majority equity interest in SPLS are currently in progress. It was determined that the Company would recover US\$549,000 from CMT’s subsequent distribution of SPLS sale proceeds.

### **C-Media Electronics Inc. (“C-Media”)**

In May 2010, the Company participated in a private placement launched by C-Media by subscribing for 1 million new shares therein at an investment cost of US\$1.2 million approximately. The common shares of C-Media are currently listed on the Taiwan GreTai Securities Market (stock code 6237.TW). By nature of this private placement, the new shares are subject to three-year lockup restriction and thereafter, these shares are qualified to apply for listing on the same market with its existing common shares.

C-Media specializes in the designing and manufacturing of audio ICs and the LED business, which C-media has been actively developing, has been progressing well. Dividend distribution was declared in the third quarter of 2012 and a dividend of NT\$250,000 has been received by the Company.

### **Global Market Group Limited (“GMG”)**

The Company invested US\$5 million in GMG as a convertible preference shareholder with a put option in place. GMG is engaged in B2B internet trading platform business in the PRC.

GMG’s ordinary shares were admitted to trading (“Admission”) on the Alternative Investment Market of the London Stock Exchange on 22 June 2012. The Company’s investment in GMG Preferred Shares were converted into a total of 8,734,897 ordinary shares of GMG immediately prior to the placing of GMG’s newly issued ordinary shares and Admission. GMG successfully raised £9.7 million by way of a placing of new ordinary shares, giving a market capitalization of approximately £127 million on Admission. However, due to an unusual selling behavior by one of the strategic investors, subsequent trading prices of GMG ordinary shares suffered an approximately 33% drop.

GMG announced its 2012 interim results on 29 August 2012. In the midst of slowing economic growth and deteriorating of China’s exports, GMG still recorded a year-on-year growth of 27.9% and 30.1% on revenue and net profit respectively, reflecting its solid fundamentals and excellent execution capability of its management team.

### **Shanghai Hua Xin High Biotechnology Co. Ltd. (“Huaxin”)**

The Company had made full impairment on its invested capital in Huaxin in year 2003. In recent years, there has been no sign of a turn around in both Huaxin’s operation and bottom line, as such, the Company has been looking for opportunities to exit this investment. After many rounds of negotiations, the Company has signed an agreement with Huaxin’s largest shareholder in September 2012, for a transfer of the Company’s 20% holding in Huaxin at a consideration of RMB1,150,000. The Company has received the equivalent in HK\$1,399,012 in accordance with the agreement and the share transfer process has been submitted pending approval from the relevant government departments in China.

### **RELEVANT STOCK MARKETS’ PERFORMANCE**

<b>Indices</b>	<b>31/12/2011</b>	<b>30/06/2012</b>	<b>30/09/2012</b>	<b>Quarter Change</b>
Hang Seng Index	18,434.4	19,441.5	20,840.4	7.20%
Hang Seng China Enterprises Index	9,936.5	9,574.8	9,831.6	2.68%
Hang Seng China-Affiliated Corporation Index	3,682.2	3,797.0	4,081.8	7.50%
Shanghai SE Composite Index	2,199.4	2,225.4	2,086.2	-6.26%
Shenzhen SE Composite Index	866.7	921.4	853.8	-7.33%
Taiwan Exchange Index	7,072.1	7,296.3	7,715.2	5.74%
Dow Jones Industrial Average Index	12,217.6	12,880.1	13,437.1	4.32%
Standard and Poor’s 500 Index	1,257.6	1,362.2	1,440.7	5.76%
NASDAQ Composite Index	2,605.2	2,935.1	3,116.2	6.17%

Source: Bloomberg

## LISTED INVESTMENTS UPDATE

Since July 2012, a combination of the deteriorating economic figures on both the United States and China economy, the uncertainty of US Federal Reserve's QE3, the acceleration of European sovereign debt crisis because of Greece's literal bankruptcy and the possible bailout of Spain, drove the Hang Seng Index ("HSI") down to 18,877 level towards the end of July. Thereafter, the HSI rebounded on the news that the European Central Bank ("ECB") and the German premier would try their best effort to maintain both the Euro zone and the Euro intact. The index did not go anywhere in August in response to the mixed figures that came out from the US economy and the results of listed blue-chips in Hong Kong, in addition to the uncertainty of QE3. Finally, in September, the stock market rallied to the news of unlimited purchase of European sovereign debts by the ECB and the announcement of QE3 at a scale that exceeded market expectations.

In view of the declining China economy, the PRC government rolled out various measures in maintaining overseas trade and accelerating infrastructure projects. With the money easing measures adopted by the European and the US central banks, there were expectations that the central bank in China would likewise adopt money easing measures. Emotion tide turned and there was strong money inflow to drive up the HSI to 20,840, to register a rise of 7.20% in the third quarter. The Company's listed securities portfolio recorded an increase of 4.13% in the same period.

Looking forward, with the favourable money easing policies adopted by major world central banks in unison, the lessening of threats of European sovereign debts and the final arrival of QE3, investor confidence is expected to return along with the risk appetite. The Company believes the Hong Kong stock market will continue its upward trend in the fourth quarter and has been actively building up positions since the third quarter in sectors favoured by national policy, such as domestic consumption, infrastructure and finance etc. Nonetheless, the Company will also remain alert to sluggish global economies and the inflationary risk that may come hand-in-hand with money easing policies adopted by the central banks.

## CORPORATE INFORMATION

### INVESTMENT MANAGER

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Wang, Ching  
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Yick, Wing Fat Simon  
Zhu, Zhongqun

### COMPANY'S WEBSITE

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### STOCK CODE

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### INVESTMENT COMMITTEE

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Zhu, Zhongqun  
*Shanghai International Group Corporation Ltd.*  
Wang, Ching  
*Shanghai International Asset Management (H.K.) Co., Ltd.*

### COMPANY SECRETARY

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#### *In Cayman Islands*

Maples & Calder

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Tricor Secretaries Limited

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