

# 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\$15,198,433 as at 31 March 2013, with a corresponding NAV per share of US\$1.71, down by 24.34% from the end of December 2012.

### CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2011	2012	1Q2013
Gross Domestic Product (“GDP”)	9.3	7.8	7.7
Value added industrial output	13.9	10.0	9.9
Retail sales	17.1	14.3	12.3
Consumer Price Index (“CPI”)	5.4	2.6	2.4
Fixed asset investments	23.8	20.6	21.2
Exports	20.3	7.9	18.4
Imports	24.9	4.3	8.4
Trade surplus (US\$ billion)	155.1	231.1	43.1
Foreign exchange reserve (US\$ billion)	3,181	3,312	3,440

Source: Published information, Bloomberg

### China Economy

GDP growth for the first quarter 2013 fell to 7.7% from 7.9% in the fourth quarter of 2012, but higher than 7.6% and 7.4% in the second and third quarter respectively of last year, as well as the target of 7.5% for this year. Overall, China’s economy maintained signs of steady recovery. However, the March Producer Price Index has yet to pick up for six quarters, indicating a consistent weak demand from the economy in general.

Owing to the slow pace of economic recovery, inflationary pressure has been contained at a comfortable level. In addition, effects of regulatory policies on property prices have begun to emerged gradually, thus further governmental monetary and credit tightening policies are unlikely. 2013 marks the commencement of a new regime in China. In order to maintain consistency of economic policies carried forward and achieve growth targets set by the new government, more growth measures are expected to be released in the second and third quarter of this year.

It is expected the prime focus of the government in 2013 is to boost domestic consumption and increase production efficiency by implementing structural reforms in areas like stimulating national consumption, tax reforms, industrial restructuring and regional economic development.

## 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
31 December 2012	10.50	2.26	28.9	1.40	19.0
31 March 2013	10.50	1.71	23.3	1.34	18.4

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

## PORTFOLIO ALLOCATION

As at 31 March 2013	US\$	%
Investment in unlisted securities	637,026	4.19%
Investment in listed securities	8,911,125	58.63%
Cash and other net receivables	5,650,282	37.18%
<b>NET ASSET VALUE</b>	<b>15,198,433</b>	<b>100.00%</b>

## UNLISTED INVESTMENTS UPDATE

### 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. The Company has been diligently monitoring its various businesses. Facing keen competition in the LED business, its profit margin has been under pressure. C-Media thus focuses to increase cooperation with international companies in order to increase market share and profit margin. C-Media announced its 2012 annual results in which there were no significant improvement in revenue and profit, whereby a loss was recorded. Its board of directors, nonetheless, declared dividend of NT\$1 per share and the Company is entitled to receive NT\$1 million dividend distribution.

The lock-up restriction of the private placement shares expires in May 2013 and the Company will closely monitor the price performance and find appropriate exit opportunity at the then market situation.

## RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2011	31/12/2012	31/03/2013	Quarter Change
Hang Seng Index	18,434.4	22,656.9	22,299.6	-1.58%
Hang Seng China Enterprises Index	9,936.5	11,436.2	10,896.2	-4.72%
Hang Seng China-Affiliated Corporation Index	3,682.2	4,531.1	4,362.6	-3.72%
Shanghai SE Composite Index	2,199.4	2,269.1	2,236.6	-1.43%
Shenzhen SE Composite Index	866.7	881.2	927.9	5.30%
Taiwan Exchange Index	7,072.1	7,699.5	7,918.6	2.85%
Dow Jones Industrial Average	12,217.6	13,104.1	14,578.5	11.25%
Standard and Poor's 500 Index	1,257.6	1,426.2	1,569.2	10.03%
NASDAQ Composite Index	2,605.2	3,019.5	3,267.5	8.21%

Source: Bloomberg

## LISTED INVESTMENTS UPDATE

The Hang Seng Index continued its rally from the fourth quarter of 2012 and nearly reached the 24,000 level in this quarter, due mainly to the stabilizing in both the United States and China economy as well as a rally in China A shares. The index subsequently retracted 7% in reaction to a strengthening of regulatory measures on property prices in China and the possible recurrence of the European Sovereign debt crisis.

Investor sentiment in China improved significantly since the third quarter of 2012 and the Shanghai Composite Index broke the 2,400 level in the first quarter of this year. However, with worries over regulatory measures on both property price and the credit and loan sectors, the index subsequently broke the 2,200 level as there were no positive surprises, which fell short of market expectations, from the National People's Congress and Chinese People's Political Consultative Conference, which ended on 17 March 2013.

On the other side of the Pacific Ocean, investors in the United States shifted their focus from the 'Fiscal Cliff' issue to improving domestic economy, helping the Dow Jones Industrial Average broke the 14,000 level, and kept reaching new highs. Though there are worries that the Federal Reserve System ("Fed") might not be buying United States government bonds much further, the uptrend for United States securities market is expected to remain intact as unemployment and inflation rates are still well beyond the Fed's comfortable level.

The European Sovereign Debt crisis event has been subdued for a while but resurfaced when Cyprus began considering to impose tax on bank savings whereby market sentiment were severely affected. The issue is expected to last for another while before the dust settles.

The Company's investment portfolio recorded a drop of 4.48% in the first quarter due to a comparatively aggressive allocation. The Hang Seng Index fell 1.6% over the same period.

In view of both the Hong Kong and China equities market reaching historical low valuations, further downside is expected to be limited. Outlook for the second quarter is positive due to the low valuation and the money easing policies from the United States, Europe and Japan. The risks, however, are the uncertainty of a recovery in China's economy, continuous weak demand from both the United States and Europe, inflation rate hike concern because of money easing policies and the Fed stops buying United States government bonds.

## Global Market Group Limited (“GMG”)

In March 2008, the Company acquired 1,530,769 Series B Preferred Shares in GMG (“GMG Preferred Shares”) for a consideration of US\$5 million. In November 2009, the GMG Preferred Shares were enlarged to 38,269,225 shares subsequent to a sub-division of GMG’s shares. In June 2010, the Company reinvested its dividend entitlement of US\$847,458 for additional GMG Preferred Shares to increase its equity interest to 9.67%.

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

GMG recorded strong growth with excellent results in 2011 and succeeded in bringing in solid investors. The fair valuation of the Company’s holding of GMG has increased to US\$14.2 million as at 31 December 2011.

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 at a reasonable valuation, giving a market capitalization of approximately £127 million on Admission. However, due to an unusual selling behavior, subsequent trading prices of GMG ordinary shares suffered an approximately 33% drop, though recorded with thin trading volume. In the first quarter of 2013, GMG announced that its 2012 annual results were below forecast as a result of expenses generated from its launch of M2C business and the “Free GMC Scheme” offered to premier clients. The share price was 35% down year-to-date mainly due to such reasons but with thin trading liquidity. The Company has been closely monitoring GMG business in all aspects and is aware that its operation is in good shape thanks to effective cost control, the impact on net profits has been to some extent mitigated.

The Company considers GMG is significantly undervalued in its stock price and will monitor closely for appropriate exit opportunity.

## CORPORATE INFORMATION

### INVESTMENT MANAGER

Shanghai International Asset Management (H.K.) Co., Ltd.

#### *Hong Kong*

Room 2603A, 26/F, Low Block,  
Grand Millennium Plaza,  
181 Queen’s Road Central, Hong Kong  
Tel: (852) 2840-1608  
Fax: (852) 2840-1286

#### *Shanghai*

Room G, 6/F,  
Crystal Century Tower,  
No. 567 Wei Hai Road,  
Shanghai 200041, China  
Tel: (8621) 6886-2001  
Fax: (8621) 6886-2438

### DIRECTORS

Chen, Chi-chuan  
Hua, Min  
Lee, Tien-chieh  
Ong, Ka Thai  
Tseng, Ta-mon  
Wang, Ching  
Wu, Bin  
Yick, Wing Fat Simon  
Zhu, Zhongqun

### COMPANY’S WEBSITE

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

### STOCK CODE

770

### INVESTMENT COMMITTEE

Chen, Chi-chuan  
*Ruentex Group*  
Zhu, Zhongqun  
*Shanghai International Group Corporation Ltd.*  
Wang, Ching  
*Shanghai International Asset Management (H.K.) Co., Ltd.*

### COMPANY SECRETARY

Liang, Kwan Wah Andrew

### AUDITORS

Ernst & Young

### CUSTODIAN

Standard Chartered Bank  
(Hong Kong) Limited

### LEGAL ADVISORS

#### *In Hong Kong*

Charltons  
Solicitors & Notary Public

#### *In Cayman Islands*

Maples & Calder

### SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

### REGISTERED OFFICE

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

For further information, please contact the Investment Manager:

Hong Kong: Dr. Wang, Ching *Managing Director*  
Shanghai: Mr. Wu, Bin *Vice President*

*This document is for information purposes only and for the use of the recipient. This document is not, and should not be construed as an offer to sell or a solicitation of an offer to buy securities. While the information contained herein is from sources believed reliable, no representation or warranty, expressed or implied, is made as to its accuracy, completeness or correctness. The Company or its affiliates may from time to time have positions in, or options on, buying and selling securities referred to herein. This document may not be reproduced, distributed or published for any purpose without the prior written consent from the Company.*