

# SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 770)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2007

### FINANCIAL RESULTS

The Board of Directors (the “Board”) of Shanghai International Shanghai Growth Investment Limited (the “Company”) announces that the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2007 are as below:

### CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2007

	Notes	2007 US\$	2006 US\$
Investment Income	3	<u>626,219</u>	<u>635,033</u>
Gain on investments			
Gain on sale of investments in listed securities		4,498,146	909,080
Gain on sale of investments in unlisted securities		–	600,000
Exchange gain		<u>51,014</u>	<u>2,007</u>
		<u>4,549,160</u>	<u>1,511,087</u>
Increase in fair value of an investment property		<u>43,290</u>	<u>40,000</u>
Operating expenses			
Investment Manager’s fee		(548,617)	(625,168)
Administrative expenses			
Directors’ emoluments		(38,425)	(38,602)
Other administrative expenses		<u>(367,650)</u>	<u>(409,520)</u>
		<u>(954,692)</u>	<u>(1,073,290)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>4,263,977</b></u>	<u><b>1,112,830</b></u>
<b>EARNINGS PER SHARE – BASIC</b>	5	<u><b>47.9 cents</b></u>	<u><b>12.5 cents</b></u>

## CONSOLIDATED BALANCE SHEET

At December 31, 2007

	<i>Notes</i>	2007 US\$	2006 US\$
<b>NON-CURRENT ASSETS</b>			
Interest in an associate		2,573,301	–
Investments in unlisted securities		2,500,000	–
Investments in listed securities		9,732,109	9,863,728
Investment property		–	680,000
		<u>14,805,410</u>	<u>10,543,728</u>
<b>CURRENT ASSETS</b>			
Dividend, interest and other receivables and prepayments		180,420	213,237
Consideration receivable from disposal of an investment		–	2,310,000
Bank balances		12,262,048	14,843,855
		<u>12,442,468</u>	<u>17,367,092</u>
<b>CURRENT LIABILITIES</b>			
Accrued charges		85,452	45,771
Amount due to Investment Manager		149,460	148,394
		<u>234,912</u>	<u>194,165</u>
<b>NET CURRENT ASSETS</b>			
		<u>12,207,556</u>	<u>17,172,927</u>
		<u><b>27,012,966</b></u>	<u><b>27,716,655</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		890,500	890,500
Reserves		26,122,466	26,826,155
		<u>27,012,966</u>	<u>27,716,655</u>
<b>NET ASSET VALUE PER SHARE</b>			
	7	<u><b>3.03</b></u>	<u>3.11</u>

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING PRACTICE

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) and by the Hong Kong Companies Ordinance.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning January 1, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the Group’s results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction <sup>3</sup>

1 Effective for annual periods beginning on or after January 1, 2009

2 Effective for annual periods beginning on or after March 1, 2007

3 Effective for annual periods beginning on or after January 1, 2008

4 Effective for annual periods beginning on or after July 1, 2008

### 3. INVESTMENT INCOME

	2007 US\$	2006 US\$
Dividend income		
– Listed securities	118,005	189,185
– Unlisted securities	23,153	–
Interest income	485,061	445,848
	<u>626,219</u>	<u>635,033</u>

No segment information is presented as the Group has only one business activity, namely investment holding and operates in Greater China only.

### 4. TAXATION

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

### 5. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of US\$4,263,977 (2006: US\$1,112,830) and on the number of 8,905,000 (2006: 8,905,000) ordinary shares in issue during the year.

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

### 6. DIVIDENDS

	2007 US\$	2006 US\$
Special final dividend paid – US\$0.50 per share (2006: US\$1.20 per share) paid from the share premium account	<u>4,452,500</u>	<u>10,686,000</u>

### 7. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at December 31, 2007 of US\$27,012,966 (2006: US\$27,716,655) and on the number of 8,905,000 (2006: 8,905,000) ordinary shares in issue as at December 31, 2007.

## **DIVIDEND DISTRIBUTION**

Subject to approval by shareholders at the annual general meeting of the Company to be held on April 28, 2008, the Board proposes a special final dividend of US\$0.20 per share in cash for 2007, representing approximately a 10% return on the market share price at the time of announcing such dividend. This special final dividend, if approved, will be paid on or before May 28, 2008 to shareholders whose names are on the Company's Register of Members on April 17, 2008.

## **CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from April 18, 2008 to April 28, 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Registrars of the Company, Secretaries Limited, for registration no later than 4:00 p.m. on April 17, 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

The Group recorded a net operating profit of US\$4,263,977 for the year ended December 31, 2007, an increase of 283.2% year-on-year when compared with a net profit of US\$1,112,830 in 2006. The increase was mainly attributable to substantial realized gains from sale of investments in listed securities. The Group received US\$118,005 in dividend income (2006: US\$189,185) and US\$4,498,146 (2006: US\$909,080) in realized gains on disposal of listed securities. As for unlisted investments, US\$23,153 dividend income was recorded during the year and an interest income of US\$58,712 was received on the remaining balance of outstanding payment due from the purchaser of an unlisted investment exited in 2006. At end of 2007, the Group succeeded in disposing of its investment property and recorded a realized gain of US\$43,290 on the disposal.

The Group divested from all of its historical unlisted investments in 2006. The Company's Investment Manager, Shanghai International Asset Management (HK) Co., Ltd., paid much effort in 2007 seeking for new unlisted investment opportunities with attractive returns. The Group has secured two such unlisted investment projects during the second half of 2007, with a total investment cost of US\$5,073,506.

During the year under review, the Group's listed securities portfolio recorded a 36.5% gain, trailing slightly behind the 39% gain of the Hang Seng Index, but almost a 395% year-on-year growth in terms of realized gains upon disposal of listed securities.

In May 2007, the Company declared a special final dividend of US\$0.50 per share for 2006. The Group's net asset value ("NAV") per share as at December 31, 2007 was US\$3.03 after such dividend distribution, a 2.57% decrease compared with US\$3.11 at the end of 2006 but a 13.5% improvement before payment of such dividend. As at the end of December 2007, the Company's share price was US\$2.30 (2006: US\$2.10), reflecting a 24.09% discount to NAV per share.

## **Review on unlisted investments**

In 2007, fast appreciation of the RMB led China's capital assets into a revaluation process. Robust domestic consumption coupled with the A-shares restructuring effect drove China's capital market to a trend of sustained growth. Sentiment was optimistic in the first half of the year. According to the China Venture Capital Statistics Report 2007, China recorded a total venture capital investment of US\$3.18 billion in the first eleven months of 2007, which was 78.9% higher than the full 2006 year. The number of investments also increased from 324 to 428, or a 32.1% increase. Apart from overseas listings, the SME Board of the Shenzhen stock exchange has now become another popular exit for foreign-invested entities.

Following the Company's exit from all of its historical unlisted investments in 2006, its Investment Manager actively screened new investment projects and visited numerous companies throughout 2007 with potentially good returns. After prudent and thorough evaluations, the Company finally decided to invest in two enterprises: one that produces high-end health care products and another that produces hot-rolled galvanized steel, with a total investment of US\$5,073,506.

In January and March 2008, the Company continued its success in investing in two Chinese enterprises: (i) a leading online game platform service provider, with integrated platform encompassing media, entertainment, on-line game, anti-virus, advertising and discussion forum services; and (ii) a B2B trading platform service provider promoting China and international trades, integrated with logistics businesses.

## **Progress highlights**

- Shanghai Well Bright Foods Company Limited – The Group has received payments for the second and third installments of share sales in March and September 2007 respectively, thus completed such share sales transaction and recorded a total return of 128%.
- Investment Property – House 52, Rose Garden, located in Shanghai, was sold in October 2007 and recorded a realized gain of US\$43,290.
- In September 2007, the Company invested HK\$20,000,000 (equivalent to US\$2,573,506) into Raffles International Investment Limited, a special purpose investment vehicle through which the Company indirectly invested in Wuxi Ruinian Enterprise Company Limited, a high-end health care products producer.
- In November 2007, the Company invested US\$2,500,000 into China Material Technology Limited, the parent company of South Polar Lights Steel (Shanghai) Company Limited, which is engaged in the production of hot-rolled galvanized steel.

## **OUTLOOK FOR 2008**

The Investment Manager has been actively exploring new unlisted investment projects with potentially higher returns or pre-IPO investment opportunities. The investment strategy primarily focuses on industries such as information technology, consumables, infrastructure-related, resources and environmental protection. By the end of 2007, the Company has invested in two new unlisted investments: in health care consumables and hot-rolled galvanized steel. There are a number of good investment projects currently under in-depth due diligence review, two of which, amounting to US\$7.6 million and both targeting for listing in the coming 2-3 years, have been confirmed in January and March 2008. The Investment Manager and the Company will continue to divert their resources in identifying and analysing investment projects either with promising investment returns via public listing or other exit alternatives. Besides, the Investment Manager will continue its close monitoring of the management and operations of the invested projects.

On the listed investment side, general consensus from most analysts and traders have suggested that the Hong Kong market will be much more volatile than in the past year but overall it will perform steadily in 2008 due to sound economic fundamentals, anticipation in economic growth and the Beijing Olympics effect. Although the Company's outlook for 2008 remains optimistic, it will remain vigilant to any changes in China's macro policy and measures, with particular cautions in stock market movements.

Looking forward, the Company believes that Hong Kong's inflation rate will become higher, due to the hike in raw materials and food prices in China. The negative interest rate environment (that is the inflation rate being higher than banks' deposit rate) will further boost Hong Kong's property market and other active investments. It is anticipated that the RMB will face greater pressure of appreciation when the interest rate gap between RMB and US dollar gets wider. Nevertheless, we hold a view that Hong Kong's competitiveness will remain strong among the region because of the weak US dollar.

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

The Group's continued success in finding exit for invested projects and the sale of listed securities has resulted in a liquid position despite the US\$4,452,500 dividend payout for 2006. After making new unlisted investments of US\$5,073,506, the Group's cash position as of December 31, 2007 was US\$12,262,048 (2006: US\$14,843,855) of which approximately US\$736,728 (2006: US\$680,297) was held in RMB equivalent at a registered financial institution in China. RMB is not a freely convertible currency and it has appreciated by about 8% versus the US dollar during 2007. Heeding advice from the Board to seek better returns on cash management, the Group placed approximately US\$2.8 million (2006: US\$6.2 million) deposit with Standard Chartered Bank, Hong Kong, a recognized sub-custodian bank of the Company's custodian, State Street Bank and Trust Company.

The Company had no bank borrowings at the end of December 2007 and 2006.

The Group had a capital commitment of US\$2.6 million, authorized but not contracted for, at end of 2007 (2006: nil), which was subsequently paid in January 2008. In addition, the Company's Investment Committee has approved an unlisted investment, with a cost of US\$5 million, in February 2008 and will be injected by end of March 2008.

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

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

The moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact on the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

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

## **AUDIT COMMITTEE**

The Company's Audit Committee has been established since 1999 and currently comprises four non-executive directors, three of them being independent. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the annual results of the Company for the year ended December 31, 2007.

## **CORPORATE GOVERNANCE**

Throughout the year ended December 31, 2007, the Group has applied the principles and complied with all requirements set out in the code on corporate governance practices contained in Appendix 14 of the Main Board Listing Rules.

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"). Having made specific enquiry of all Directors of the Company, all Directors confirmed they had complied with the required standard set out in the Model Code.

## **REVIEW OF PRELIMINARY ANNOUNCEMENTS BY AUDITORS**

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2007 have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's draft audited financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Dr. WANG Ching, Mr. WU Bin, as executive directors; Dr. HUA Min, Mr. ONG Ka Thai and Mr. YICK Wing Fat, Simon as independent non-executive directors; and Mr. CAI Nongrui, Mr. CHEN Chi-chuan, Mr. LEE Tien-chieh, Mr. LIN Bin, Mr. TSENG Ta-mon and Dr. WANG Changhong as non-executive directors.

For and on behalf of the Board  
**Shanghai International Shanghai Growth Investment Limited**  
**WANG Ching**  
*Executive Director*

Hong Kong, March 19, 2008