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## 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, 2008

#### 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, 2008 are as below:

#### CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2008

	Notes	2008 US\$	2007 US\$
Investment Income	3	<u>113,202</u>	<u>626,219</u>
Gain and loss on investments			
(Loss) gain on sale of investments in listed securities		(587,960)	4,498,146
Impairment loss recognized in respect of an investment in listed security		(446,605)	–
Exchange gain		<u>83,828</u>	<u>51,014</u>
		<u>(950,737)</u>	<u>4,549,160</u>
Increase in fair value of an investment property		<u>–</u>	<u>43,290</u>
Operating expenses			
Investment Manager’s fee		(740,183)	(548,617)
Administrative expenses			
Directors’ emoluments		(38,583)	(38,425)
Other expenses	4	<u>(385,640)</u>	<u>(367,650)</u>
		<u>(1,164,406)</u>	<u>(954,692)</u>
<b>(LOSS) PROFIT FOR THE YEAR</b>		<u><b>(2,001,941)</b></u>	<u><b>4,263,977</b></u>
<b>(LOSS) EARNINGS PER SHARE – BASIC</b>	6	<u><b>(22.5 cents)</b></u>	<u><b>47.9 cents</b></u>

## CONSOLIDATED BALANCE SHEET

At December 31, 2008

	<i>Notes</i>	<b>2008</b> <i>US\$</i>	2007 <i>US\$</i>
<b>NON-CURRENT ASSETS</b>			
Interest in an associate		<b>2,573,161</b>	2,573,301
Investments in unlisted securities		<b>2,500,000</b>	2,500,000
Investments in listed securities		<b>268,995</b>	9,732,109
Investments in redeemable convertible preference shares		<b><u>7,600,000</u></b>	<u>–</u>
		<b><u>12,942,156</u></b>	<u>14,805,410</u>
<b>CURRENT ASSETS</b>			
Interest and other receivables and prepayments		<b>149,929</b>	180,420
Consideration receivable from disposal of listed securities		<b>125,649</b>	–
Bank balances		<b><u>8,568,022</u></b>	<u>12,262,048</u>
		<b><u>8,843,600</u></b>	<u>12,442,468</u>
<b>CURRENT LIABILITIES</b>			
Accrued charges		<b>41,429</b>	85,452
Amount due to Investment Manager		<b><u>123,742</u></b>	<u>149,460</u>
		<b><u>165,171</u></b>	<u>234,912</u>
<b>NET CURRENT ASSETS</b>		<b><u>8,678,429</u></b>	<u>12,207,556</u>
		<b><u><u>21,620,585</u></u></b>	<u><u>27,012,966</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>890,500</b>	890,500
Reserves		<b><u>20,730,085</u></b>	<u>26,122,466</u>
		<b><u>21,620,585</u></b>	<u>27,012,966</u>
<b>NET ASSET VALUE PER SHARE</b>	<b>8</b>	<b><u><u>2.43</u></u></b>	<u><u>3.03</u></u>

Notes:

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING PRACTICE

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated 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 the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendment)	Reclassification of financial assets
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
HKAS 39 (Amendments)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving disclosures about financial instruments <sup>2</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) – INT 15	Agreements for the construction of real estate <sup>2</sup>
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation <sup>5</sup>
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners <sup>3</sup>
HK(IFRIC) – INT 18	Transfer of assets from customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2009

<sup>3</sup> Effective for annual periods beginning on or after July 1, 2009

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2008

<sup>5</sup> Effective for annual periods beginning on or after October 1, 2008

<sup>6</sup> Effective for transfers of assets from customers received on or after July 1, 2009

The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. INVESTMENT INCOME

	<b>2008</b>	2007
	<i>US\$</i>	<i>US\$</i>
Investment income comprises:		
Dividend income from available-for-sale investments		
– Listed securities	<b>56,153</b>	118,005
– Unlisted securities	–	23,153
Interest income from loans and receivables	<b>57,049</b>	485,061
	<b>113,202</b>	626,219

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

### 4. OTHER EXPENSES

Other expenses include the following:

	<b>2008</b>	2007
	<i>US\$</i>	<i>US\$</i>
Auditors' remuneration	<b>27,742</b>	20,959
Custodian fee	<b>41,846</b>	34,876
Staff salaries and other benefits	<b>54,466</b>	48,848
Retirement benefits costs	<b>5,597</b>	5,077
Share of results of an associate	<b>140</b>	205

### 5. 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.

### 6. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share is based on the loss for the year of US\$2,001,941 (2007: profit of US\$4,263,977) and on the number of 8,905,000 (2007: 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.

### 7. DIVIDEND

	<b>2008</b>	2007
	<i>US\$</i>	<i>US\$</i>
Special final dividend paid – US\$0.20 per share (2007: US\$0.50 per share) paid from the share premium account	<b>1,781,000</b>	4,452,500

### 8. 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, 2008 of US\$21,620,585 (2007:US\$27,012,966) and on the number of 8,905,000 (2007: 8,905,000) ordinary shares in issue as at December 31, 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of results

The Group recorded a net operating loss of US\$2,001,941 for the year ended December 31, 2008, a decrease of 147% year-on-year when compared with a net profit of US\$4,263,977 in 2007. The Group disposed most of the listed securities in the first half of 2008 and has avoided the enormous corrections brought about by the global financial tsunami. Nonetheless, the Group has recorded realized losses of US\$587,960 on the exit of listed securities and an impairment loss of US\$446,605 in value of one listed securities as compared with a realized gain of US\$4,498,146 in 2007. The Group received US\$56,153 in dividend income (2007: US\$118,005) from listed securities. A total loss of US\$2,056,045 was recognized as changes in fair value in listed securities for the year ended December 31, 2008.

As for unlisted investments, no dividend income was recorded during the year since two of the four current investments were made in the fourth quarter of 2007, with the other two, being investment in redeemable convertible preference shares, in the first quarter of 2008. No fair value change in unlisted investments was recognized for the year ended December 31, 2008.

In the first quarter of 2008, the Group anticipated that the global stock market would perform poorly throughout and therefore adopted a cash-holding strategy by gradually reducing its position of listed investments during the first two quarters, leaving the listed investment portfolio at the end of December 2008 to only one stock carried from an earlier direct investment. Such strategy has brought a loss of 27.82% to the listed investment portfolio in 2008, which outperformed all major indices, such as the Hang Seng Index, Shanghai A, Taiwan Exchange Index and Dow Jones which lost 48.27%, 65.38%, 46.03% and 33.84% respectively.

The Company paid a special final dividend of US\$0.20 per share for 2007 in May 2008. The Group's net asset value ("NAV") per share as at December 31, 2008 was US\$2.43 after such dividend distribution, a 19.8% decrease compared with US\$3.03 at the end of 2007 whilst a 13.2% drop before payment of such dividend. As at the end of December 2008, the Company's share price was US\$2.00 (2007: US\$2.30), reflecting a 17.7% discount to NAV per share.

### Unlisted investment review

In the first half of 2008, China was hit by snow storms, earth quakes and other natural disasters, followed by a global financial storm in the second half of the year, which was originated by the sub-prime crisis from the United States. All these have led China to an economic growth slow-down. Although the China financial market did not suffer from liquidity problems like bankruptcies, exports and direct investments were nonetheless weakened and the economy was affected as a result. From the angle of the capital market, equity investments, merger and acquisition activities and IPO markets all entered into a consolidating phase. On the venture capital market, despite recorded growth, it had slowed down in terms of total investment project number and total investment value. Some venture capital investment institutions became more conservative in responding to the complicated and rugged environment.

In 2008, the Investment Manager was very prudent on screening new projects with particular focus on sectors such as consumer related and new energy. The Company invested in two companies in January and March 2008 for an aggregate investment of USD7,600,000. The first one was an online game platform provider, Grandpro Technology Limited and the second one was an internet B2B trading platform provider, Global Market Group Limited.

The Investment Manager had been actively looking for new investments in the second half of 2008 but was not able to find the right projects with good returns owing to the uncertainties of the financial market as a whole.

## **OUTLOOK FOR 2009**

The world economy was hard hit by the financial tsunami in 2008. The sub-prime black-hole, financial distress in the banking industry, deteriorating rate of consumption, all contributed to economic recession and sadly, signs of recovery have yet to be seen. The Investment Manager believes there will still be bumpy rides ahead in 2009 and therefore will take prudent view on investments despite believing that Greater China will be the first region to recover from the financial tsunami.

Nonetheless, on the direct investment front, the financial tsunami brings along attractive investment opportunities whereby we find valuations in terms of Price Earnings ratio “P/E” are at the lowest ever. The Investment Manager agrees ‘Cash’ is still the ‘King’ for the time being but has been diligently looking for good investment opportunities from which lucrative returns could be obtained for the Company’s shareholders in the medium term.

On the other hand, the P/E for the Hang Seng Index in Hong Kong has fallen about 60% from its peak in 2007. The Investment Manager has been actively searching for defensive plays and believes that ‘Consumer products’, ‘Infrastructure’, ‘Energy’ and ‘Technology’ related industries will be the leading sectors should recovery comes upon. As such, the Investment Manager will deploy resources in analyzing and identifying industry leaders for building up the Company’s listed equities investment portfolio.

Last but not least, the Investment Manager will continue to place emphasis on closely monitoring the operations and management of invested projects and to assist them to enhance their performance in order to be well-equipped for public listing of their shares during favourable market sentiment.

## **DIVIDEND DISTRIBUTION**

Subject to approval by shareholders at the annual general meeting of the Company to be held on May 8, 2009, the Board proposes a special final dividend of US\$0.10 per share in cash for 2008, representing approximately a 6.33% 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 29, 2009 to shareholders whose names are on the Company’s Register of Members on May 8, 2009.

## **CLOSING OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from April 22, 2009 to May 8, 2009, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Registrars of the Company, Tricor Secretaries Limited, for registration no later than 4:00 p.m. on April 21, 2009.

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

Subsequent to the two preference shares investments of US\$7.6 million in early 2008 and a distribution of special dividend of US\$1.78 million in May 2008, the Company's bank balances as of December 31, 2008 were US\$8,568,022 (2007: US\$12,262,048), of which US\$788,156 (2007: US\$736,728) were held in RMB equivalent in trust deposits with a registered financial institution in China. RMB is not a freely convertible currency and the RMB exchange rate has appreciated by 7% versus the US dollar during 2008.

The Group did not have any bank borrowing or capital commitment on its unlisted investments at end of December 2008 and December 2007 respectively.

## **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 slow and 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, 2008.

## **CORPORATE GOVERNANCE**

Throughout the year ended December 31, 2008, the Company has applied the principles and 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.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company will be despatched to shareholders of the Company and published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://shanghaigrowth.etnet.com.hk>) in due course.

## **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

In light of the recent amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and certain applicable regulations and in order to bring the memorandum and articles of association of the Company up to date, the Directors propose to amend the Articles of Association of the Company. The proposed amendments deal with matters relating to different areas including, inter alia:

- (a) to allow the Company to use the Company's website and electronic means for corporate communications;
- (b) to allow the removal of directors of the Company by an ordinary resolution instead of a special resolution;
- (c) to update the relevant provisions regarding closure of the register of members on notice being given in accordance with the requirements of the Listing Rules; and
- (d) the retirement of directors by rotation at annual general meetings and the re-election of director who is appointed to fill a casual vacancy at the first general meeting after his appointment.

A circular containing, inter alia, (i) an explanation of the effect of the proposed amendments; (ii) the full terms of the proposed amendments; and (iii) a notice of the Annual General Meeting will be despatched to the Shareholders as soon as practicable. The proposed amendments to the Articles of Association will be subject to the approval of the shareholders of the Company by a special resolution to be passed at the forthcoming Annual General Meeting.

## **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 and Mr. TSENG Ta-mon and as non-executive directors.

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

Hong Kong, March 12, 2009