

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\$15,217,903 as at 31 March 2014, with a corresponding NAV per share of US\$1.71, up by 34.65% from the end of 2013.

CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2012	2013	1Q2014
Gross Domestic Product (“GDP”)	7.7	7.7	7.4
Industrial Production	10.0	9.7	8.7
Retail sales	14.3	13.1	12.0
Consumer Price Index (“CPI”)	2.6	2.6	2.3
Fixed asset investments	20.6	19.6	17.6
Exports	7.9	7.9	-3.4
Imports	4.3	7.3	1.6
Trade surplus (US\$ billion)	230.7	259.8	16.74
Foreign exchange reserve (US\$ billion)	3,312	3,820	3,950

Source: Published information, Bloomberg

China Economy

China’s GDP growth for the first quarter of 2014 turned out to be 7.4%, slightly less than the 7.7% in the fourth quarter of 2013, reflecting a fall to an 18-month low in growth rate. Such economic retreat is clear in terms of various published economic indicators, which were mainly caused by discouraging performance of state-owned enterprises and weak external demand.

This is the first year of China’s all-round deepening reform. The government expects to realise a beneficial economic cycle through transforming its own role. But economic reform and transformation are long-term tasks. Short-term economic policy is to hold on to the bottom line of preventing systemic risk. A 7.5% GDP growth target for 2014 has been set by the government.

Concerns over possible rapid economic slump prompted the State Council to introduce in early April three economic growth stimulus measures, which included speeding up railways construction, renovation of shanty towns and tax relief for micro enterprises. The possibility of replacing the old growth model driven by comprehensive fixed asset investments with continuing regional and sectoral stimuli and emerging industry supporting policies to maintain consistency and stability of economic growth should not be excluded.

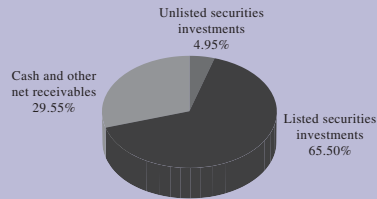
THE COMPANY'S NAV PERFORMANCE

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 December 2013	10.60	1.27	19.9	0.75	13.5
31 March 2014	10.60	1.71	24.3	0.84	14.4

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

PORTFOLIO ALLOCATION

As at 31 March 2014	US\$	%
Investment in unlisted securities	752,615	4.95%
Investment in listed securities	9,467,737	65.50%
Cash and other net receivables	4,497,551	29.55%
NET ASSET VALUE	15,217,903	100.00%



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 a 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 specialises in the designing and manufacturing of audio ICs, and the LED business, which C-Media has been actively developing, has been progressing well.

The lock-up restriction of the private placement shares had expired in May 2013. However, these shares have yet to qualify to be traded on the Taiwan GreTai Securities Market due to a shortfall in C-Media's 2012 profit target. The Company has been diligently monitoring its various businesses. Its Environmental Noise Cancellation (ENC) chips successfully broke into the Chinese smartphone supply chain. Benefiting from customer orders, C-Media 2013 full-year revenue grew by 8.88%, reversing prior years' decline and successfully turned around in the year. With expansion of business scale, it is expected that C-Media's core business performance will further improve in the future.

C-Media has also made significant potential profit in its non-core business from the sale of real estate in 2013. The transaction was completed in January 2014. This created an opportunity for its private placement shares to qualify for listing on the Taiwan GreTai Securities Market next year once 2014 profit requirement is met. In addition, C-Media's investment in another Taiwan GreTai stock has also recorded significant unrealised gains.

In March 2014, C-Media declared a special dividend of NT\$1 per share payable in September 2014. The Company recorded a fair value of US\$752,615 on this investment at the end of first quarter of 2014, representing a 0.4% increase compared with that of 31 December 2013.

RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2012	31/12/2013	31/3/2014	Quarter Change
Hang Seng Index	22,656.9	23,306.4	22,151.1	-4.96%
Hang Seng China Enterprises Index	11,436.2	10,816.1	10,075.1	-6.85%
Hang Seng China-Affiliated Corporation Index	4,531.1	4,553.6	4,161.2	-8.62%
Shanghai SE Composite Index	2,269.1	2,116.0	2,033.3	-3.91%
Shenzhen SE Composite Index	881.2	1,057.7	1,039.9	-1.68%
Taiwan Exchange Index	7,699.5	8,611.5	8,849.3	2.76%
Dow Jones Industrial Average	13,104.1	16,576.7	16,457.7	-0.72%
Standard and Poor's 500 Index	1,426.2	1,848.4	1,872.3	1.30%
NASDAQ Composite Index	3,019.5	4,176.6	4,199.0	0.54%

Source: Bloomberg

LISTED INVESTMENTS UPDATE

In the first quarter of 2014, Hong Kong stocks suffered a significant setback because of concerns over Federal Reserve's ("Fed") Quantitative Easing ("QE") tapering, massive net fund outflow from emerging markets and discouraging mainland China economic data. The Hang Seng Index ("HSI") slumped to 21,197 at the lowest from the previous 23,306 level and closed at 22,151 in the first quarter with a 4.96% loss from the end of 2013. HSI constituent stocks generally under-performed. 40 of the 50 blue chip stocks fell, especially for those with poor operating results or in the Hong Kong property sector.

Based on the judgement that both overall economy and the index would trend down in the first quarter of 2014, the Company had adopted an investment strategy which lowered market exposures and focused on selecting stocks with strong upward momentum. As a result, the listed investments portfolio decreased by 2.53%, which outperformed the HSI.

Looking forward to the second quarter, for outside factors, the Fed has yet to disclose a definite QE tapering schedule and geopolitics are still unclear. It will also be difficult for the Chinese economy to overcome pains brought by structural reforms in the short term. Market confidence is anticipated to strengthen if reform policies are implemented coupled with sizeable scale of railways and security housing fixed asset investments. We believe the previously overbought strong stocks and oversold weak stocks will lead to industry rotations with valuation adjustments. Hence the Company shall control stakes in growth stocks and pay close attention to old economy stocks which are reform beneficiaries.

Global Market Group Limited (“GMG”)

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.

The Company invested US\$5,847,458 in GMG’s preferred shares since 2008, with an equity interest of 9.67%. GMG’s ordinary shares were admitted to trading (“Admission”) on Alternative Investment Market of the London Stock Exchange on 22 June 2012. The Company’s investment in GMG was converted into ordinary shares and equity interest was diluted to 8.93% after the Admission. However, due to an unusual selling behavior, subsequent trading prices of GMG ordinary shares suffered significant drop, though recorded with thin trading volume.

The market price of GMG was further dragged down by the unsatisfactory financial results in the first half of 2013. GMG had commenced to develop two new initiatives, namely the Free GMC Scheme and the M2C China, since 2012. This became one of the reasons leading to an operating loss in the first half of 2013. However, despite difficult trading conditions, GMG made steady progress in its Free GMC scheme, achieving its registration target Free GMC members by the end of 2013, as well as successfully launched its M2C service (“FeiFei.com”) in November.

On 21 January 2014, GMG embarked on a share buy-back scheme, which released a positive signal to the market. As a result of this buyback, the Company’s shareholding was adjusted to 9.36%. On 27 March 2014, GMG announced Guangzhou Daily Newspaper Business Co., Limited (“Guangzhou Daily”), a wholly-owned subsidiary of Guangdong Guangzhou Daily Media Co., Ltd, had become a strategic investor of GMG by investing in its M2C service. Being a large media organisation in China, Guangzhou Daily intends to use its media resources to raise awareness of FeiFei.com among consumers in China.

Such actions reflected the confidence of its management and associated investors and at the same time, improved liquidity of the stock. GMG’s share price and trading volume have picked up significantly, as of 11 April 2014, its share price hit £ 0.67. Comparing with the end of 2013, the Company recorded a US\$4.18 million unrealised gain on a change in fair value of this investment at the end of first quarter of 2014, representing a 91% increase.

CORPORATE INFORMATION

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