

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\$13,762,856 as at 30 September 2014, with a corresponding NAV per share of US\$1.55, down by 5.49% from the end of June 2014.

CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2012	2013	3Q2014
Gross Domestic Product (“GDP”)	7.7	7.7	7.3
Industrial Production	10.0	9.7	8.0
Retail sales	14.3	13.1	11.6
Consumer Price Index (“CPI”)	2.6	2.6	1.6
Fixed asset investments	20.6	19.6	16.1
Exports	7.9	7.9	15.3
Imports	4.3	7.3	7.0
Trade surplus (US\$ billion)	230.7	259.8	231.34
Foreign exchange reserve (US\$ billion)	3,312	3,820	3,888

Source: Published information, Bloomberg

China Economy

In the third quarter of 2014, China’s economic growth recorded a new low in recent years. Gross Domestic Product (“GDP”) increased 7.3% year-on-year, which was lower than the 7.5% growth in the second quarter. But overall unemployment rate and price levels remained stable.

China’s economic growth is currently approaching the lower limit of the government’s macro-control target, prompting it to consider stronger growth stabilising policies. Easing policies on property loans released in the end of September is supposed to improve real estate financing and property market’s demand, thus relieving the adverse effects on economic growth caused by the weak real estate sector. On 8 October, the State Council deployed six economic policies and mentioned directional fiscal regulation for the first time, which also released signals of increasing stimulus.

From a monetary policies point of view, this year the People’s Bank of China conducts macro-control through refinancing, rationed reserve ratio cuts and other directional easing measures. Should economic growth continues to ease further in the future, the People’s Bank of China may cut the overall standard interest rate or reserve ratio.

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
30 September 2014	10.70	1.55	23.7	1.40	21.0

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

PORTFOLIO ALLOCATION

As at 30 September 2014	US\$	%
Investment in unlisted securities	654,887	4.76%
Investment in listed securities	9,660,034	70.19%
Cash and other net receivables	3,447,935	25.05%
NET ASSET VALUE	13,762,856	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.TT).

C-Media specialises in the designing and manufacturing of audio ICs with a focus on USB related audio products. However, after the wave of USB audio applications, competition for various related products became increasingly fierce. The profit margin is under real pressure. C-Media is currently strengthening its long-term business collaboration with large global brands to increase profits and market share.

C-Media's net operating loss in the first half of 2014 was around NTD 18.74 million, which is more than last year due to a sharp decrease in the second quarter's sales. However, due to a large non-operating income brought about by property disposal, C-Media achieved a net gain of NTD 65.12 million in the first half of 2014.

In September 2014, the Company received C-Media's stock dividends of NTD 988,644, which was approximately equivalent to US\$32,424. However, C-Media's shares held by the Company have yet to qualify to be traded on the Taiwan GreTai Securities Market due to unsatisfactory return on equity in 2013. The fair value of these shares is valued by the equity pricing model subject to marketability discount determined by the Investment Manager. The fair value of C-Media was US\$654,887 at 30 September 2014. The Investment Manager will closely monitor C-Media's price performance and seek appropriate exit opportunity depending on prevailing market condition.

RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2013	30/6/2014	30/9/2014	Quarter Change
Hang Seng Index	23,306.4	23,190.7	22,933.0	-1.11%
Hang Seng China Enterprises Index	10,816.1	10,335.0	10,310.4	-0.24%
Hang Seng China-Affiliated Corporation Index	4,553.6	4,369.0	4,402.1	0.76%
Shanghai SE Composite Index	2,116.0	2,048.3	2,363.9	15.40%
Shenzhen SE Composite Index	1,057.7	1,096.8	1,333.5	21.58%
Taiwan Exchange Index	8,611.5	9,393.1	7,699.5	-18.03%
Dow Jones Industrial Average	16,576.7	16,826.6	17,042.9	1.29%
Standard and Poor's 500 Index	1,848.4	1,960.2	1,972.3	0.62%
NASDAQ Composite Index	4,176.6	4,408.2	4,493.4	1.93%

Source: Bloomberg

LISTED INVESTMENTS UPDATE

At the beginning of the third quarter of 2014, China economic data rebounded. Stimulated by the Shanghai-Hong Kong Stock Connect policy, large scale of foreign capital flowed into Hong Kong resulting in the Hang Seng Index ("HSI") peaking at 25,363 points. Starting from September however, the stock market turned sharply down. China's August economic data deteriorated again led by the real estate sector coupled with weak performance in most industries. The industrial added value grew only by 6.9% year-on-year, which was a new 68-month low. Sluggish imports also revealed gloomy domestic consumption. Investors' hope on an economic recovery was dashed, which resulted in a slump in the Hong Kong stock market. At the end of September, the "Occupy Central" protest kicked off in advance. Foreign capital accelerated its outflow to avoid risks, which gave a final critical blow to the stock market. Compared to the end of the second quarter, HSI eventually fell 1.11% or 258 points.

Since January, the Investment Manager has been sticking with a conservative investment strategy and overweighting state-owned enterprises with reform concepts. This strategy has proved to be effective. In the third quarter, the Company's listed investment portfolio rose 1.64% despite a downward trending market and beat the HSI. The investment portfolio is slightly up by 0.13% year-to-date, while HSI dropped 1.60% over the same period.

Global Market Group Limited ("GMG")

In March 2008, the Company invested in GMG Preferred Shares for a consideration of US\$5 million. 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's ordinary shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange on 22 June 2012.

GMG is a leading 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. Currently its internet trading service consists of M2B and M2C business.

As reflected in the 2014 interim report, GMG's net loss in the first half was USD5.14 million, which narrowed 10.4% as compared to last year. Although GMG's revenue only increased 3.3%, its sales and marketing expenses sharply decreased by 29.9%. This cost saving is mainly due to a significant USD4.11 million cut in M2B business' advertising expenses. The heavily invested Free GMG Scheme and media resources contributed by Guangzhou Daily have helped the company enhance its marketing efficiencies.

M2B business turned profitable again in the first half. GMG's strategy to attract high-quality customers has achieved initial success. Despite a decrease in the number of paying customers, average revenue per user (ARPU) increased 22.6%. Most newly signed customers chose the premium service pack. The M2C business, Feifei.com, as an extension of the M2B business, is positioned to be existing customer's online factory direct sale channel. Feifei remains at the stage where there is rapid revenue growth but has yet to achieve profitability. GMG has no current plans to inject more cash into Feifei, but will actively seek for more strategic investors and strategic partners in the coming 12 months.

Up to 30 September 2014, GMG's stock price has jumped 85.7% to GBP 0.585 as compared with the end of 2013. The Investment Manager considers that GMG's current stock price still does not reflect its intrinsic value and will continue to monitor closely for appropriate exit opportunity.

CORPORATE INFORMATION

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STOCK CODE

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