

# 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\$10,280,815 as at 30 September 2015, with a corresponding NAV per share of US\$1.15, decreased by 8.73% from the end of June 2015.

### CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2013	2014	3Q2015
Gross domestic product (“GDP”)	7.7	7.4	6.9
Industrial Production	9.7	8.3	6.2
Retail sales	13.1	12.0	10.5
Consumer price index (“CPI”)	2.6	1.5	1.4
Fixed asset investments	19.6	15.7	10.3
Exports	7.9	4.9	-1.9
Imports	7.3	2.3	-15.3
Trade surplus (US\$ billion)	259.8	378.5	424.1
Foreign exchange reserve (US\$ billion)	3,820	3,840	3,514.1

Source: Published information, Bloomberg

### China Economy

In the third quarter of 2015, China’s economic growth gradually stabilized after several quarters’ adjustment. Gross Domestic Product (“GDP”) in the third quarter increased 6.9% year-on-year, which was slightly lower than 7.0% as of the second quarter.

Through measures such as accelerated approval of major infrastructure projects, recapitalization of policy related banks and improvement of local governments’ financing channels, Chinese government has increased the magnitude of easing to hedge downward pressure of investment from other sectors. Meanwhile, People’s Bank of China has been increasingly easing monetary policies through open market operation, interest rate and required reserve ratio cuts and expanding pilot areas for credit asset pledged relending. From the perspective of real estate market, as many easing policies have been implemented constantly, property sales growth has increased for several consecutive months, and property price in the metropolis also starts to rise again, which indicates that investment in real estate may rebound. These policies reflect that the Chinese government has increased hedging measures and magnitude to stabilize growth, aiming to fine-tune economic structure and boost impetus to growth.

Although downward pressure of economy is large, fundamentals of the Chinese economy have not been changed. Combined accommodative monetary and fiscal policies will drive economic growth to gradually stabilize and rebound, aiming to reach the growth target of China’s economy set for this year.

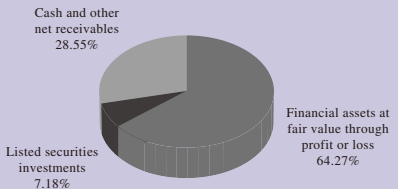
## THE COMPANY'S NAV PERFORMANCE

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 December 2014	10.70	1.43	22.5	1.52	22.2
30 September 2015	10.80	1.15	20.7	1.50	23.0

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

## PORTFOLIO ALLOCATION

As at 30 September 2015	US\$	%
Listed Securities-Listed on HKEx	738,363	7.18
Financial assets at fair value through profit or loss	6,607,076	64.27
Cash and other net receivables	2,935,376	28.55
<b>NET ASSET VALUE</b>	<b>10,280,815</b>	<b>100.00</b>



## INVESTMENT REVIEW

### Hong Kong Stock Market

During the third quarter of 2015, Hang Seng Index (“HSI”) fell sharply from 26,250 points to 20,846 points. From a domestic perspective, the decline was partially attributed to a crash of the Chinese stock market. Since June, Chinese government has continuously implemented deleveraging measures, combined with constant capital outflow led by a sudden depreciation of CNY in August and investors’ worries about economic prospects of China, causing the Shanghai Stock Exchange Composite Index to decline from 4,277 points to 3,053 points. From a global perspective, the decline was attributed to expectation of rising US interest rate, which puts pressure on prices of many financial assets globally. In order to secure the target of a 7% GDP growth, central government implemented a series of stimulating measures, including “double down” and tax cuts in some specific industries. These measures successfully stabilized the market and bottomed HSI at around 20,500 points.

The Investment Manager continued to adopt a cautious investment strategy and kept a low portfolio position under current market condition. The Company is waiting for appropriate entry time to catch the next market rally. Affected by two significant market slumps, the Company’s Hong Kong listed investment portfolio was inevitably down by 15.64% in the third quarter, while HSI was down by 20.59% during the same period.

## RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2014	30/6/2015	30/9/2015	Quarter Change
Hang Seng Index	23,605.0	26,250.0	20,846.3	-20.59%
Hang Seng China Enterprises Index	11,984.7	12,981.2	9,405.5	-27.55%
Hang Seng China-Affiliated Corporation Index	4,350.0	4,876.7	3,901.7	-19.99%
Shanghai SE Index	3,234.7	4,277.2	3,052.8	-28.63%
Shenzhen SE Index	1,415.2	2,464.2	1,716.8	-30.33%
Taiwan Exchange Index	9,307.3	9,323.0	8,181.2	-12.25%
Dow Jones Industrial Average	17,823.1	17,619.5	16,284.7	-7.58%
Standard and Poor's 500 Index	2,058.9	2,063.1	1,920.0	-6.94%
NASDAQ Composite Index	4,736.1	4,986.9	4,620.2	-7.35%

Source: Bloomberg

### Global Market Group Limited (“GMG”)

The Company invested in GMG Preferred Shares for a consideration of US\$5 million in March 2008. 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 (“AIM”) of London Stock Exchange on 22 June 2012. As at 30 Sep 2015, a total of 8,734,897 ordinary shares of GMG are held by the Company, representing 9.36% of GMG's total issued ordinary shares.

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. Currently, its internet trading service consists of M2B and M2C businesses.

During the first half of 2015, GMG returned to profit after years of losses. Profit for the M2B segment increased by US\$0.40 million year-on-year to US\$0.88 million for the six months ended 30 June 2015. GMG's core M2C platform – FeiFei – has adapted its business model from an M2C to M2B2C model and has capped its monthly expenses for the M2C segment at around US\$0.06 million. The loss of FeiFei has narrowed to around US\$0.38 million for the six months ended 30 June 2015.

Pursuant to GMG's announcement, GMG's shares have been cancelled (“Cancellation”) from trading on the AIM on 24 September 2015 as it was unsuccessful in appointing a replacement nominated adviser (“Nomad”) within the time frame permitted under AIM listing rules. It is understood that such Cancellation was a result of a transaction entered into by GMG that may trigger AIM reverse takeover provisions and which led to the resignation of the former Nomad.

Based on available information, the Investment Manager has reviewed and considered possible implications that the Cancellation may have on the valuation of GMG. The Company is of the opinion that, in view of (1) the economic benefits that the said transaction is expected to bring to GMG, (2) a recent successful fund raising (based on a valuation higher than GMG's then market capitalisation) for its main operating subsidiary according to GMG's announcement dated 15 September 2015, and (3) the intended relisting of GMG's shares, valuation of GMG shares is not expected to be adversely affected despite the Cancellation.

At the last day of its listing (23 September 2015), GMG's stock price was 0.50 GBP with no change as compared to 30 June 2015. The Company is of the opinion that valuation of GMG's shares is not adversely affected despite the Cancellation. Therefore, the Company recorded a fair value of GMG to be US\$6,607,076 as of 30 September 2015, a decrease of 3.72% as compared to 30 June 2015 brought about by the GBP's depreciation against the US dollar. Notwithstanding the Cancellation, it is understood that GMG will be devoting resources to achieve an early relisting of its shares. The Investment Manager considers that GMG's shares are still undervalued and will wait for its relisting for appropriate exit opportunities.

## 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, whose common shares are listed on the Taiwan GreTai Securities Market (stock code 6237.TT). The Company recorded these private shares as unlisted investment.

Following the release of lock-up restriction of the private placement shares in May 2013, C-Media achieved satisfactory net profits and return on equity level in financial year 2014 and therefore became qualified to list. The private shares commenced trading on Taiwan GreTai Securities Market effectively on 3 June 2015. Accordingly, the Company’s investment in C-Media has since been re-classified as listed investment.

The Investment Manager has been closely monitoring C-Media’s price performance and prevailing market conditions to gradually cash out on this investment. Up to 30 September 2015, the Company has sold all of its holding in C-Media and recorded realized profits of US\$206,528.

## CORPORATE INFORMATION

### INVESTMENT MANAGER

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

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### DIRECTORS

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Ni, Jianwei  
Ong, Ka Thai  
Tseng, Ta-mon  
Wang, Ching  
Wu, Bin  
Yick, Wing Fat Simon

### COMPANY’S WEBSITE

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### STOCK CODE

770

### INVESTMENT COMMITTEE

Chen, Chi-chuan  
*Ruentex Group*  
  
Ni, Jianwei  
*SIIC Investment Company 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

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For further information, please contact the Investment Manager:

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Shanghai: Mr. Wu, Bin *Vice President*

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