

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\$7,636,912.03 as at 31 March 2016, with a corresponding NAV per share of US\$0.86, decreased by 2.27% from the end of December 2015.

CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2014	2015	1Q2016
Gross domestic product (“GDP”)	7.4	6.9	6.7
Industrial Production	8.3	6.1	5.8
Retail sales	12.0	10.7	10.3
Consumer price index (“CPI”)	1.5	1.6	2.3
Fixed asset investments	15.7	10.0	10.7
Exports	4.9	-1.8	-4.2
Imports	-0.6	-13.2	-8.2
Trade surplus (US\$ billion)	378.5	594.5	125.7
Foreign exchange reserve (US\$ billion)	3,840	3,330	3,213

Source: Published information, Bloomberg

China Economy

During the first quarter of 2016, China’s macro economy recovered to stability after successive dips. China’s GDP in the first quarter increased by 6.7%, slowing by 0.3% and 0.1% as compared to the first and fourth quarter of last year respectively.

Three major Purchasing Managers’ Indexes (PMI) rebounded in March, with the economy showing small cyclical pickup, which was mainly powered by three factors, namely, increase of inventory, property market and stability of growth. Affected by supply-side structural reform, manufacturing sector’s production and the market warm up, demands of manufacturing sector in import and export market returned back to an expansion mode. Structural reform of industries is actively promoted, and manufacturing continues to march to mid-to-high end. Besides, increase in fixed asset investments, warmup of the property market and significant increase in newly-commenced projects all brought about some catalysts for manufacturing and consumption.

Together with the keynote “growth stabilizing” for economic policies this year as confirmed at the National People’s Congress and Chinese People Political Consultative Conference (“Two Sessions”) in March, decision makers repeatedly express the determination to stabilizing the economy’s growth rate at 6.5%. Increase in infrastructure and property investments will drive overall investment to rebound steadily, pushing the economy back to recovery.

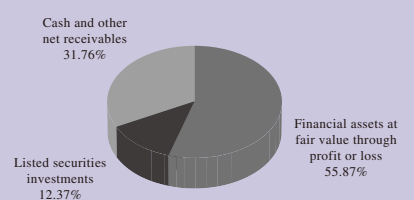
THE COMPANY'S NAV PERFORMANCE

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
31 December 2015	10.80	0.88	16.8	1.70	26.3
31 March 2016	10.80	0.86	16.6	1.20	21.2

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

PORTFOLIO ALLOCATION

As at 31 March 2016	US\$	%
Listed Securities-Listed on HKEx	944,998	12.37
Financial assets at fair value through profit or loss	4,266,757	55.87
Cash and other net receivables	2,425,157	31.76
NET ASSET VALUE	7,636,912	100.00



INVESTMENT REVIEW

Hong Kong Stock Market

During the first quarter of 2016, the Hang Seng Index (“HSI”) fell before picking up. Affected by US interest rate hike in December last year, oil price slumped, while RMB and HKD depreciated sharply in January. Market concerns over risk of HKD’s unpegging to the USD heightened risk aversion. Combined with the slump of A-Share market triggered by the circuit break system, HSI dropped to 19,683 from 21,941. Going into February, the market turned its concerns to credit risks of European banks. HSI continued to fluctuate in low level, bottoming at quarter’s low of 18,319. However when it came to March, Chinese economic data steadied, exchange rate of RMB against HKD emerged stable, with a pickup in commodities markets. Meanwhile, US Federal Reserve postponed the pace of interest rise and showed signs of a dovish stand. All these positive information stimulated the HSI to rise for over 1,500 points in March. In the whole quarter, HSI still fell by 1,138 points or 5.19%, closing at 20,777 points.

In the first quarter, the Investment Manager continued to adopt a conservative investment strategy and seize the rally opportunity of Hong Kong stocks in March to overweight companies with better results. This strategy has proven to be effective. In the first quarter, the Company’s listed investments portfolio fell slightly by 2.08%, slightly outperforming the HSI.

RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2014	31/12/2015	31/3/2016	Quarter Change
Hang Seng Index	23,605.0	21,914.4	20,776.7	-5.19%
Hang Seng China Enterprises Index	11,984.7	9,661.0	9,003.3	-6.81%
Hang Seng China-Affiliated Corporation Index	4,350.0	4,052.1	3,772.1	-6.91%
Shanghai SE Index	3,234.7	3,539.2	3,003.9	-15.12%
Shenzhen SE Index	1,415.2	2,308.9	1,912.2	-17.18%
Taiwan Exchange Index	9,307.3	8,338.1	8,744.8	4.88%
Dow Jones Industrial Average	17,823.1	17,425.0	17,685.1	1.49%
Standard and Poor's 500 Index	2,058.9	2,043.9	2,059.7	0.77%
NASDAQ Composite Index	4,736.1	5,007.4	4,869.8	-2.75%

Source: Bloomberg

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. Currently, its internet trading service consists of M2B and M2B2C businesses. In response to the Chinese government's call for developing cross-border E-commerce industry and fully exert GMG's advantage of B2B E-commerce platform, GMG is planning to vigorously develop new cross-border E-commerce business from this year.

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. Due to thin liquidity and the development of China stock market, the management of GMG decided to cancel its shares from trading on the AIM on 24 September 2015. Nonetheless, following the delisting, GMG will be directing additional resources to achieve listing of its major subsidiary's shares in the mainland China market. As at 31 March 2016, 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.

As at 31 March 2016, the Investment Manager adopted a relative valuation model on the fair value of GMG by reference to listed companies in Chinese E-commerce industry. Based on the fact that global capital markets fluctuated significantly in the quarter, relatively conservative assumptions continue to apply. As at 31 March 2016, the Company recorded a fair value of US\$4,266,757 for this investment, which remained unchanged compared to that as at the end of 2015.

The Investment Manager considers that GMG's shares are extremely undervalued given the fact of a listing opportunity for its main operating subsidiary Global Market Group (Guangzhou) Limited (“GMGZ”). GMG had a successful fund raising (based on a valuation higher than GMG's then market capitalisation) in September 2015 for this subsidiary which is preparing for a listing on the so-called “New Third Board” in mainland China. It is understood that GMG has devoted additional resources in the first quarter of 2016 to promote listing application for GMGZ. It is expected that such capital raising via a listing in 2016 will reflect a growth in value of its new business.

CORPORATE INFORMATION

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STOCK CODE

770

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