

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\$6,709,538 as at 31 March 2018, with a corresponding NAV per share of US\$0.63, decreased by 1.6% from the end of December 2017.

CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2016	2017	1Q2018
Gross domestic product (“GDP”)	6.7	6.9	6.8
Industrial Production	6.0	6.6	6.8
Retail sales	10.4	10.2	9.8
Consumer price index (“CPI”)	2.0	1.6	2.1
Fixed asset investments	8.1	7.2	7.5
Exports	-2.0	10.8	7.4
Imports	0.6	18.7	11.7
Trade surplus (US\$ billion)	482.4	441.1	52.0
Foreign exchange reserve (US\$ billion)	3,011.0	3,139.9	3,142.8 (March)

Source: Published information, Bloomberg

China Economy

In the first quarter of 2018, the Chinese economy continued its momentum from 2017, with a steady growth rate. In the first quarter, China’s gross domestic product (“GDP”) grew by 6.8%, which was a decreasing of 0.1 percentage points from the same period of last year, but it was in line with the growth in the fourth quarter of last year.

Due to factors such as strong external demand, rapid growth of new momentum, and the recovery of real estate and private investment, the major indicators showed that China economy was in a good operation state. China’s Manufacturing Purchasing Managers Index (“PMI”) in March was 51.5%, rising to the highest level in the first quarter and the second highest since 2013, reflecting the overall revival return of the manufacturing sector at the beginning of the year. This year’s government work report put forward a tax reduction of more than RMB800 billion for enterprises and individuals in the whole year to promote the transformation and upgrading of the real economy and focus on stimulating market vitality and social creativity. At present, it has already taken the lead in reducing value-added tax (“VAT”) of RMB400 billion. Meanwhile, it is expected that there will be a series of other tax relief policies to be introduced later on. With the continuous deepening of the supply-side structural reform in the past two years, the focus of this year’s supply-side structural reform will be gradually overstepped by “breaking the inefficient supply and resolving excess production capacity” to “cultivating new momentum and promoting the optimization and upgrading of economic structure”.

In the midst of China-U.S. trade dispute, a stalling external demand may not be able to drive the economy in the short term. In order to prevent financial risks domestically, a tightening money supply situation will put downward pressure on domestic investment demand in general. All these uncertain factors may drag down the economy. However, the fundamental strength of China’s economy is still stable and continuously growing. At the same time, deepening supply-side structural reforms will enhance a smooth transition of the economy into a high-quality development in economy.

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	18.0	1.70	25.0
31 December 2016	10.80	0.77	16.9	1.16	19.6
31 December 2017	10.80	0.64	15.6	0.98	17.8
31 March 2018	10.80	0.63	15.5	0.90	17.0

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

PORTFOLIO ALLOCATION

As at 31 March 2018	US\$	%
Securities investments listed on Hong Kong Stock Exchange	1,165,502	17.37
Financial assets at fair value through profit or loss	2,318,001	34.55
Cash and other net receivables	3,226,035	48.08
NET ASSET VALUE	6,709,538	100.00

INVESTMENT REVIEW

Hong Kong Stock Market

Benefiting from the buoyant capitals inflow and the stabilization of the Chinese economy, the Hang Seng Index (“HSI”) continued its upward trend in 2017 and performed strongly in January 2018. The new reform measures announced by the Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) have further boosted market confidence. At the same time, the major US indices also rose significantly. All these factors directly prompted the HSI to maintain its upward trend, rising from 30,028 points to 33,484 points. In February, however, due to high inflation expectation, the market was concerned that the Fed would accelerate the interest rates hike and the US bond yield hit a four-year high, causing HSI fell below 29,200 points. The upper and lower volatility ranged 4,355 points. During March, the fear of trade war escalation between China & the US weighted on the stock market. HSI performed rather weak and closed at 30,093 points. For the quarter, most of the gain in HSI in January was evaporated in the last 2 months, up only 174 points or 0.58%.

Due to large volatility in the market and certain industry result could not meet expectation, the Company's listed investments portfolio recorder a loss situation. During the first quarter, the Company's listed investments portfolio recorded a loss of 2.5% at the end of first quarter. The Company will continue to adopt a prudent investment strategy and always be aware of the risks.

RELEVANT STOCK MARKETS' PERFORMANCE

Indices	30/9/2017	31/12/2017	31/3/2018	Quarterly Change
Hang Seng Index	27,554	29,919	30,093	0.58%
Hang Seng China Enterprises Index	10,910	11,709	11,998	2.47%
Hang Seng China-Affiliated Corporation Index	4,299	4,426	4,409	-0.38%
Shanghai SE Index	3,349	3,307	3,169	-4.17%
Shenzhen SE Index	1,988	1,899	1,854	-2.37%
Taiwan Exchange Index	10,384	10,643	10,919	2.59%
Dow Jones Industrial Average	22,405	24,719	24,103	-2.49%
Standard and Poor's 500 Index	2,519	2,674	2,641	-1.23%
NASDAQ Composite Index	6,496	6,903	7,063	2.32%

Source: Bloomberg

Global Market Group Limited (“GMG”)

GMG is a B2B internet trading service provider in the mainland China. It focuses on providing an international trading service platform linking high-end quality export manufacturers in China with 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 in an effort to fully exert GMG's advantage of its established B2B E-commerce platform, GMG vigorously developed new cross-border E-commerce businesses since 2016. Corresponding cross-border E-commerce platform on consignment basis has been established and its mobile app has been released officially. GMG's M2B business is progressing towards matured having been developed for several years. Development of its cross-border E-commerce consignment trading platform is expected to help in accelerating its overall business growth.

The Company invested in GMG for a consideration of US\$5 million in 2008. As at 31 December 2017, 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's ordinary shares were once admitted to trading on the Alternative Investment Market of the London Stock Exchange on 22 June 2012 but was subsequently cancelled from trading in September 2015.

Global Market Group (Guangzhou) Limited (“GMGZ”), GMG's main operating subsidiary, has been successfully listed on the National Equities Exchange & Quotations (“NEEQ” or “New Third Board”) in mainland China in August 2016. GMGZ announced its private placement plan in October 2016 and completed in early 2017. However, given the weak liquidity and lack of continuous fund-raising capability on the NEEQ to support GMGZ's future strategic development, GMGZ subsequently decided to delist from NEEQ and was completed in May 2017. It is expected that GMGZ will thereafter consider applying for a listing on other more efficient stock markets in the future.

In the absence of an active quoted market price for GMG as of 31 December 2017, the Investment Manager adopted a relative valuation model on the fair value of GMG by reference to listed companies in Chinese E-commerce industry. Relative conservative assumptions were applied in view of revenue from GMG's new business is unstable and lower earnings from current B2B activities, fair value of the Company's holding in GMG as at 31 December 2017 was re-assessed at US\$2,318,001. This fair value remained as at 31 March 2018 due to no material fluctuation during this quarter end.

CORPORATE INFORMATION

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STOCK CODE

770

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