

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\$5,077,719 as at 30 September 2018, with a corresponding NAV per share of US\$0.48, decreasing 5.89% from the end of June 2018.

CHINA’S MAJOR ECONOMIC INDICATORS

| Growth (year-on-year, percent) | 2016 | 2017 | 3Q2018 |
|---|---------|---------|---------|
| Gross domestic product (“GDP”) | 6.7 | 6.9 | 6.5 |
| Industrial Production | 6.0 | 6.6 | 6.7 |
| Retail sales | 10.4 | 10.2 | 10.4 |
| Consumer price index (“CPI”) | 2.0 | 1.6 | 2.1 |
| Fixed asset investments | 8.1 | 7.2 | 7.5 |
| Exports | -2.0 | 10.8 | 6.5 |
| Imports | 0.6 | 18.7 | 14.1 |
| Trade surplus (US\$ billion) | 482.4 | 441.0 | 221.4 |
| Foreign exchange reserve (US\$ billion) | 3,011.0 | 3,139.9 | 3,087.0 |

Source: Published information, Bloomberg

China Economy

In the first three quarter of 2018, China economy continued its steady growth from 2017 with GDP in the third quarter increased by 6.5%, which was slower than the growth rate in the first half of 2018 and was down 0.3%, compared with same period of last year.

The impact from Sino-US trade dispute towards China’s import and export gradually emerged. For the third quarter of 2018, total volume of China’s import-export reached to RMB22.28 trillion, up 9.9% year-on-year. Trade surplus was RMB1.44 trillion, down 28.3% year-on-year. However, companies’ profits were sound while investment from industrial and private sectors have been improving. Still, China’s economy was under downward pressure. Hence, the government has implemented several stimulus policies to sustain economic growth, including spurring the domestic consumption, driving the development of public infrastructure, executing positive fiscal policies and moderate monetary policies. With their policies undergoing, the domestic environment of China’s economy has been meliorating.

Looking forward to the fourth quarter, Sino-US trade dispute will escalate the uncertainty of economic growth and the future export growth of China may slow down. However, with the implementation of macro-economic policies in China, coupled with large-scale tax-cutting policies, China’s economic downward pressure is expected to be relieved.

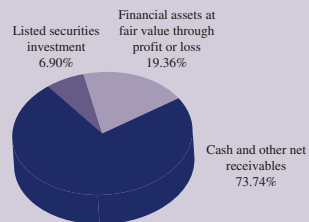
THE COMPANY'S NAV PERFORMANCE

| 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 |
| 30 September 2018 | 10.80 | 0.48 | 13.9 | 0.66 | 14.6 |

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

PORTFOLIO ALLOCATION

| As at 30 September 2018 | US\$ | % |
|---|------------------|---------------|
| Listed Securities-Listed on Hong Kong Stock Exchange | 350,465 | 6.90 |
| Financial assets at fair value through profit or loss | 982,958 | 19.36 |
| Cash and other net receivables | 3,744,296 | 73.74 |
| NET ASSET VALUE | 5,077,719 | 100.00 |



INVESTMENT REVIEW

Hong Kong Stock Market

The Hang Seng Index (“HSI”) remained relatively weak during the third quarter of 2018. Major overhangs were the plunge of emerging market currencies, the Sino-US trade dispute and the continuation of the Fed raising interest rate in the US. The first 25% tariff on US\$34 billion of China 301 went into effect on 6 July and a further 10% tariff on US\$200 billion worth of Chinese imports were also implemented in late September. As such, HSI peaked at 29,083 in late July and subsequently fell to its lowest level at 26,219 near mid-September. The upper and lower volatility ranged 2,864 points. HSI then only rebounded slightly when the US requested a re-opening of trade talk with China. HSI finally ended the quarter at 27,788. For the third quarter, the HSI dropped 1,166 points or 4.03%, while the Company’s listed portfolio return was down by 1.6% only.

For the first 9 months of this year, the HSI fell 7.1%. The weakest sectors were auto makers, base metals like steel and copper of which the market expected a slower China economic growth and further opening-up of foreign ownership in auto manufacturing in China. The Company has further reduced equity exposure in July and August and having a defensive stock, HKT-SS (6823.HK) being the Company's largest investment position at the time. Hence, the return of the Company's listed portfolio up to 30 September 2018 continued to outperform the HSI by 3.2% to -3.9%.

RELEVANT STOCK MARKETS' PERFORMANCE

| Indices | 31/12/2017 | 30/06/2018 | 30/9/2018 | Quarterly Change |
|--|------------|------------|-----------|------------------|
| Hang Seng Index | 29,919 | 28,955 | 27,788 | -4.03% |
| Hang Seng China Enterprises Index | 11,709 | 11,073 | 11,018 | -0.5% |
| Hang Seng China-Affiliated Corporation Index | 4,426 | 4,377 | 4,449 | 1.64% |
| Shanghai SE Index | 3,307 | 2,847 | 2,821 | -0.91% |
| Shenzhen SE Index | 1,899 | 1,608 | 1,442 | -10.32% |
| Taiwan Exchange Index | 10,643 | 10,837 | 11,006 | 1.56% |
| Dow Jones Industrial Average | 24,719 | 24,271 | 26,458 | 9.01% |
| Standard and Poor's 500 Index | 2,674 | 2,718 | 2,914 | 7.21% |
| NASDAQ Composite Index | 6,903 | 7,510 | 8,046 | 7.14% |

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 has vigorously developed new cross-border E-commerce businesses since 2016 and corresponding cross-border E-commerce consignment trading platform has been established officially in the first half of 2018.

The Company invested in GMG for a consideration of US\$5 million in 2008. 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. GMG's main operating subsidiary had been once listed on the New Third Board in mainland china in 2016 but has subsequently delisted in May 2017 due to insufficient fund-raising capability.

As at 30 September 2018, 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. In the absence of a readily quoted market price for GMG, the Investment Manager adopted a relative valuation model to calculate the fair value of GMG by reference to comparable listed companies in Chinese E-commerce industry. Conservative assumptions were applied given significant decrease in revenue from its B2B business and GMG's new business is still in a premature state. The fair value of the Company's holding in GMG as at 30 September 2018 was US\$982,958.

CORPORATE INFORMATION

INVESTMENT MANAGER

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STOCK CODE

770

INVESTMENT COMMITTEE

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

WU Qinwei
SIIC Investment (Shanghai) Co., Ltd.

COMPANY SECRETARY

NG Yin Yuet Jenny

AUDITORS

Ernst & Young

CUSTODIAN

Standard Chartered Bank
(Hong Kong) Limited

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Charltons
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Shanghai: Mr. WU Bin *Vice President*

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