

# 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\$4,179,024 as at 31 March 2019, with a corresponding NAV per share of US\$0.39, which is the same as that of 31 December 2018.

### CHINA’S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2017	2018	1Q2019
Gross domestic product (“GDP”)	6.9	6.6	6.4
Industrial value-added output (designated size)	6.6	6.2	6.5
Retail sales	10.2	9.0	8.3
Consumer price index (“CPI”)	1.6	2.1	1.8
Fixed asset investments (“FAI”)	7.2	5.9	6.3
Exports	10.8	7.1	6.7
Imports	18.7	12.9	0.3
Trade surplus (US\$ billion)	441.1	351.8	76.3
Foreign exchange reserve (US\$ billion)	3,139.9 (31 December)	3,072.7 (31 December)	3,098.8 (31 March)

Source: Published information, Bloomberg

#### China Economy

In the first quarter of 2019, China’s GDP was up 6.4%, down slightly by 0.4% year-on-year. The slowdown was mainly due to the Sino-US trade dispute as well as the slower economic growth around the globe. However, China’s GDP growth was still considered to be fairly solid when comparing with other major economies.

During the first quarter, the Chinese government announced a series of effective loosening policies aiming to stimulate the economy, among which such as lowering banks’ required reserve ratio and speed-up the approval process for infrastructure constructions. The China Purchase Manager Index (“PMI”) recorded 50.5 in March, which was the first time returning to above 50 since November last year, reflecting the manufacturing industry in China was back to expansionary stage. Hence, restoring confidence among Chinese corporates.

This year’s GDP is targeted at 6.0% to 6.5%, with an emphasis on tax reduction. The idea is to reduce tax burden among non-stated-owned enterprises, thereby stimulating the economy through these private corporations.

Given China has expressed determination in sustaining economic growth for 2019, together with signs that China economy has passed her trough, there is a great probability that China will continue its momentum of recovery throughout the rest of the first half of 2019 if the Sino-US trade negotiation can yield positive outcomes.

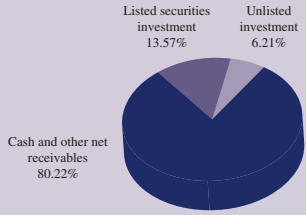
## THE COMPANY'S NAV PERFORMANCE

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 December 2018	10.80	0.39	13.0	0.67	14.7
31 March 2019	10.80	0.39	13.0	0.70	15.0

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

## PORTFOLIO ALLOCATION

As at 31 March 2019	US\$	%
Listed Securities-Listed on Hong Kong Stock Exchange	566,922	13.57
Financial assets at fair value through profit or loss (Unlisted investment)	259,465	6.21
Cash and other net receivables	3,352,637	80.22
<b>NET ASSET VALUE</b>	<b>4,179,024</b>	<b>100.00</b>



## INVESTMENT REVIEW

### Hong Kong Stock Market

After facing a challenging year in 2018, the Hang Seng Index (“HSI”) reversed its downtrend and performed strongly in January 2019. The main reason was the lower of Chinese banks’ required reserve rates by 1%, releasing as much as RMB800 billion net capitals into the economy according to market estimates. At the same time, the Chinese government has resumed strongly on various fixed assets investments. All these factors directly prompted the HSI to rise from 25,130 points to 27,942 points. In February, the positive progress in the Sino-US trade negotiation has boosted market confidence, together with the decision of including more A-shares into MSCI index in March further exacerbated the stock market. The HSI closed at 29,051 at end of March 2019, up approximately 3,206 points or 12.4% for the whole season.

The Company's listed investments portfolio increased allocation to 40% on stocks in January with exposures on banks, insurance, retail, telecom equipment, aerospace and defence sectors. During the first quarter, the portfolio recorded a gain of 3.5%. The lower return relative to HSI was mainly due to two reasons: the Investment Manager was cautious about using short term stimulus policies for solving global fundamental economic weakness that are already highly-leveraged. Secondly, some stocks that are of good values in the portfolio but have yet to be reflected during the period. As always, the Company will continue to adopt a prudent investment strategy and always be aware of the risks.

## RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2017	31/12/2018	31/03/2019	Quarterly Change
Hang Seng Index	29,919	25,846	29,051	12.40%
Hang Seng China Enterprises Index	11,709	10,125	11,380	12.39%
Hang Seng China-Affiliated Corporations Index	4,426	4,169	4,679	12.24%
Shanghai SE Composite Index	3,307	2,494	3,091	23.93%
Shenzhen SE Composite Index	1,899	1,268	1,695	33.70%
Taiwan Exchange Index	10,643	9,727	10,641	9.39%
Dow Jones Industrial Average Index	24,719	23,327	25,929	11.15%
Standard and Poor's 500 Index	2,674	2,507	2,834	13.07%
NASDAQ Composite Index	6,903	6,635	7,729	16.49%

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 platform has been established officially in the first half of 2018. However, the new business is not as successful as planned, coupled with decreasing China's export, GMG's revenue dropped significantly.

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 31 March 2019, 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, existence of material contingent redeemable non-controlling interests and GMG's new business is still in a premature state. The fair value of the Company's holding in GMG as at 31 March 2019 was US\$ 259,465. Currently, GMG is actively raising fund for its cross-border E-commerce platform business, nonetheless, the Company has been all along seeking exit opportunity at appropriate terms and timing.

## CORPORATE INFORMATION

### INVESTMENT MANAGER

Shanghai International Asset  
Management (Hong Kong) Company Limited

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### DIRECTORS

FENG Huang  
HUA Min  
LU Xuefang  
NI Jianwei  
ONG Ka Thai  
WANG Ching  
WU Bin  
YICK Wing Fat Simon

### COMPANY'S WEBSITE

<http://shanghaigrowth.etnet.com.hk>

### STOCK CODE

770

### INVESTMENT COMMITTEE

NI Jianwei  
*Shanghai International Asset  
Management (Hong Kong) Company Limited*

WANG Ching  
*Shanghai International Asset  
Management (Hong Kong) Company Limited*

LU Xuefang  
*SIIC Investment Company Limited*

### COMPANY SECRETARY

NG Yin Yuet Jenny

### 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

### REGISTERED OFFICE

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For further information, please contact the Investment Manager:

Hong Kong: Dr. WANG Ching *Responsible Officer*

Shanghai: Mr. WU Bin *Responsible Officer*

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