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$3,738,400 as at 30 September 2019, with a corresponding NAV per share of US$0.35, which decreased by 2.78% as that of 30 June 2019.

CHINA'S MAJOR ECONOMIC INDICATORS

Growth (year-on-year, percent)	2017	2018	1-3Q2019
Gross domestic product ("GDP")	6.9	6.6	6.2
Industrial value-added output (designated size)	6.6	6.2	5.6
Retail sales	10.2	9.0	8.2
Consumer price index ("CPI")	1.6	2.1	2.5
Fixed asset investments ("FAI")	7.2	5.9	5.4
Exports	10.8	7.1	5.2
Imports	18.7	12.9	-0.1
Trade surplus (CNY billion)	2,033.1	1,433.1	2,046.2
Foreign exchange reserve (US$ billion)	3,139.9 (31 December)	3,072.7 (31 December)	3,092.4 (30 September)

Source: Published information, Bloomberg

China Economy

In 2019, global economy has been under increasingly downward pressure. More and more economies have lowered interest rates to mitigate the slowing economic challenges around the world following the US Federal Reserve Board's cutting of interest rate twice in the third quarter. Given weakening external and domestic demand, China economy is under increasingly downward pressure. GDP growth was lowered by the quarter. During the third quarter, China's GDP was 6.0% over last year, which was 0.4% and 0.2% lower than the first and second quarter respectively.

To mitigate the challenge of global economic slowdown, the Chinese government has lowered tax rate and fees as well as boosting domestic consumption, to stimulate the economy. Despite GDP growth has been slowing quarter over quarter, the September manufacturing Purchasing Managers' Index ("PMI") showed a new high of 49.8% in five months despite it was still below the threshold. The service sector PMI edged up 0.5% to 53% in September. As leading indicator, the rebound of PMI suggested China economy has stabilised near the end of the third quarter. Moreover, the high-end technology manufacturing sector continued its rapid growth, which recorded a growth of 8.7% from January to September, higher than 3.1% of industrial value-added output growth over the same period last year.

Looking forward to the fourth quarter, global environment is still very complicated. However, given the re-opening of the Sino-US trade negotiation and implementation of a series of domestic stimulus policies, China economy most likely will maintain stable in the fourth quarter. China GDP is expected to reach the target of 6.0 to 6.5% in 2019.

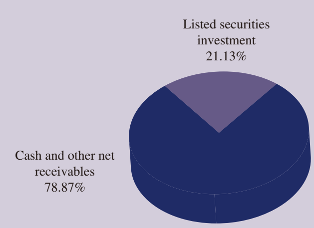
THE COMPANY'S NAV PERFORMANCE

Date	Dividends paid (cumulative) per share US$	NAV per share US$	%*	Share Price 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 December 2018	10.80	0.39	13.0	0.67	14.7
30 September 2019	10.80	0.35	12.6	0.36	11.6

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

PORTFOLIO ALLOCATION

As at 30 September	US$	%
Listed Securities-Listed on Hong Kong Exchange	789,771	21.13
Financial assets at fair value through profit or loss	–	–
Cash and other net receivables	2,948,628	78.87
NET ASSET VALUE	3,738,400	100.00



INVESTMENT REVIEW

Listed Investments

Hong Kong Stock Market

The third quarter started off with an optimism and good intention on the resumption of trade negotiation between China and the US. In July, the Hang Seng Index ("HSI") was able to consolidate between the level of 28,000 to 29,000 after a rebound from early June. The first seven months of HSI return, was +7.5%. However, the market suffered a deep correction when the US decided in early August to impose a new 10% tariff on US$300 billion worth of Chinese imports from the beginning of September. Moreover, the worsening of the local protests escalated the sell-off in the stock market during August. As such, HSI sank to as low as 24,899 in mid-August, which gave up around 3,600 points. Such sharp correction erased all the gain in the HSI, and closed the month at -0.47% cumulatively. In September, the HSI rebounded slightly following the announcement on the withdrawal of extradition bill by the Chief Executive of Hong Kong and a positive tone from Trump's comment on trade negotiation. On the sector front, local property developers and financial related stocks were among the worst performers in the third quarter which gave up 12.9% and 9.4% respectively. HSI dropped 2,450 points or 8.6% during the third quarter and ended at 26,092, while the Company's listed portfolio fell only 0.96%.

For the first nine months of this year, the Company's listed portfolio achieved a gain of 8.6% as compared to the HSI gain of 0.95% and the Hang Seng China Enterprise Index gain of 0.75%. The outperformance was mainly due to the Company's emphasis highly on risk awareness, asset allocations and solid stock selection strategy. During early July when the market was optimistic on the potential cut of interest rate in the US, the Company was actively unloading interest rate sensitive property stocks in the portfolio. Moreover, high market correlation stock like Tencent was also massively underweight at the beginning of August. Meanwhile, the Company optimised the portfolio structure, which were mostly replaced by domestic-driven growth stocks like property management companies near the end of August and infrastructure-related machinery stocks in early September.

The turmoil of the local investment environment and the slowing global economy are weighting on the sentiment of the stock market, investors mostly remain hesitant going forward. The recent shot up of Repo rate in the US could be a fore warning signal to the capital market. In addition, the possible restriction of US investments into China could also damage the investment sentiment. Hence, the Investment Manager continues to hold a conservative view for the rest of this year.

RELEVANT STOCK MARKETS' PERFORMANCE

Indices	31/12/2018	30/06/2019	30/9/2019	Quarterly Change
Hang Seng Index	25,846	28,543	26,092	-8.58%
Hang Seng China Enterprises Index	10,125	10,882	10,201	-6.26%
Hang Seng China-Affiliated Corporation Index	4,169	4,446	4,148	-6.71%
Shanghai SE Index	2,494	2,979	2,905	-2.47%
Shenzhen SE Index	1,268	1,562	1,595	2.10%
Taiwan Exchange Index	9,727	10,731	10,830	0.92%
Dow Jones Industrial Average	23,327	26,600	26,917	1.19%
Standard and Poor's 500 Index	2,507	2,942	2,977	1.19%
NASDAQ Composite Index	6,635	8,006	7,999	-0.09%

Source: Bloomberg

Unlisted Investment

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. GMG developed cross-border E-commerce platform since 2016 and finally implemented in 2018. However, the new business is not successful as planned, coupled with failure in capital raising for business expansion, and losing its edges, GMG'S business deteriorated significantly over these years.

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 in 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. The Investment Manager had been in negotiation vigorously with GMG for an exit after those rounds of delisting decisions.

As at 30 September 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. Given continuous severe drops in revenue from its B2B business and new business, together with its potential liability over a redeemable non-controlling interest, GMG's fair value had been deteriorating significantly. As reported in the Company's interim report for the period ended 30 June 2019, a full provision was made on this investment in view of its uncertainties in prospect. Despite a dividend income of approximately US$1.8 million was recorded in prior years, the Investment Manager would continue to push the management of GMG to strike for reasonable exit and returns.

CORPORATE INFORMATION

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STOCK CODE
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