BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Directors") of Shanghai International Shanghai Growth Investment Limited (the "Company" or "Shanghai Growth") is pleased to present the eighth annual report of the Company.

REVIEW OF RESULTS

The Company recorded a net loss of US$3,396,614 for the financial year ended 31st December, 2000, compared with a net profit of US$2,882,625 in 1999. This was mainly attributable to realised losses on disposal of investments in listed securities. In spite of the collapse in technology stocks and the high volatility in the Hong Kong stock market in 2000, the Company's listed portfolio registered only a negative 3.2% return, which compared favourably to Hang Seng Index's negative 11% return in the same period. Timely disposal by the Company of listed securities averted further losses and the subsequent holding of cash in a falling market generated a positive contribution towards the listed portfolio's overall performance.

Overall performance of the Company's unlisted investment portfolio showed encouraging improvement during the year with no additional provision for diminution in value of respective investments. These are elaborated under the section "Unlisted Investments" of this annual report.

In a continued effort to enhance shareholders' value, a special cash dividend of US$3.00 per share was declared and paid to the Company's shareholders on 7th September, 2000. As a result, the net asset value ("NAV") per share in the Company had been reduced by a similar amount in absolute dollar terms before taking into account movements in the Company's net assets. Had the special dividend not been paid during the year, the NAV as at 31st December, 2000 of US$6.82 would have been comparable to that of the previous year at US$10.11. Accordingly, the Company's share price at the end of December 2000 of US$3.475 which, when compared to that of the previous year's US$4.60 and taking into account the special dividend paid, reflected an improvement in the discount in share price from the NAV from 54.5% to 49.05%. More significantly, the fact that the share price did not decline by a similar amount as the special dividend paid reflected the underlying value of the Company and a corresponding enhancement in shareholders' value.

The Directors propose to recommend at the forthcoming Annual General Meeting to be held on 22nd May, 2001, the payment of a final dividend of US$0.30 per share. This final dividend, if approved, will be paid on or before 21st June, 2001 to shareholders whose names are on the Register of Members on 22nd May, 2001.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th May, 2001 to 22nd May, 2001, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the above dividend, all transfers accompanied by the relevant share certificates must be lodged with the Registrars of the Company, Secretaries Limited, for registration not later than 4:00 p.m. 14th May, 2001.

BOARD OF DIRECTORS' STATEMENT *(Cont'd)*

INVESTMENT MANAGER

In December 2000, SinoPac Capital (BVI) Limited ("SinoPac") acquired from Kwang Hua Asset Management Limited its entire 60% shareholding in Shanghai International Asset Management (H.K.) Co., Ltd., the Company's investment manager ("Investment Manager"). SinoPac is a wholly-owned subsidiary of Bank SinoPac, a privately owned commercial bank established in 1992 in Taiwan and listed on the Taiwan Stock Exchange since 1998. Notwithstanding a change in the composition of the board of the Investment Manager, the Directors are is of the opinion that the Investment Manager will continue to provide competent expertise to manage the investment activities of the Company.

SUPPLEMENTAL AGREEMENT

Subsequent to the acquisition of the Investment Manager by SinoPac, a supplemental agreement ("Supplemental Agreement") to the existing Investment Management Agreement (the "Agreement") was executed between the Company and the Investment Manager. The Agreement signed between the parties in 1993 for the initial five-year term had expired in 1998 and had since been continuing on a two month advanced notice basis. The Supplemental Agreement extended the term of appointment of the Investment Manager for a minimum of five years from 1st January, 2001 and, as a consequence of the payment of the US$3.00 special dividend, reduced the NAV threshold for any incentive fee to become payable to the Investment Manager from US$10.00 to US$7.00. The Directors considered that the execution of the Supplemental Agreement is fair and reasonable and is in the best interests of the Company.

INVESTMENT ADVISORY FEE

In December 2000 the Company reviewed its investment advisory fee arrangement with Axia Capital Partners Limited. Consequently, a supplemental agreement providing for a revised method of computation of such fees from 0.05% of quarter-end NAV to US$20,000 per quarter was executed, effective January 2001. It is expected that such revision would result in a saving of about 48% in annual investment advisory fees expense from 2001 onwards.

CHANGES TO THE BOARD

During the year, Mr. Tan Song Wee and Mr. Qu Cheng Kang resigned as executive directors of the Company and they were replaced respectively by Dr. Fung Kin Ming and Mr. Lin Bin. The Directors wish to express its appreciation to Mr. Tan and Mr. Qu for their past contribution to the Company during their tenure on the Board.

BOARD OF DIRECTORS' STATEMENT *(Cont'd)*

NEW INVESTMENT

GSMC International Limited ("GSMCI")

In December 2000 the Company entered into an agreement with GSMCI to invest US$1 million in cash to acquire a 4.17% interest in the first phase of its capital injection plan of US$20 million. A first instalment of US$500,000 was invested at the end of December 2000.

GSMCI is an investment holding company incorporated in the Cayman Islands. It has a 100% beneficial interest in Global Semiconductor Manufacturing Corporation Limited ("GSMC"), whose principal business activity is in the packaging and testing of signal transistors, power transistors and discrete IC semiconductors. GSMC's facility is located in Guangzhou, Guangdong Province of China.

OUTLOOK FOR 2001

In 2001, the Chinese economy will continue to shift towards a market economy while still embossed within the socialism framework. The focus of economic reform will be the restructuring of state-owned enterprises ("SOEs"). This will be done through mergers and acquisitions, privatization, increased production efficiency, and cost-cutting measures. These moves are essential and germane to China's preparation for its entry into the World Trade Organisation ("WTO"). The banking sector reform is expected to continue. Asset quality of state banks is likely to improve after non-performing loans ("NPLs") are sanitised. Large corporations and state banks are scheduled for listing in 2001. The hefty burden of social welfare will be eased by the launch of a social security fund. Furthermore, development of the northwestern part of China and the technology sector, and increasing foreign investments will also boost the Chinese economy. Meanwhile, opening up of the B-share market to domestic investors is a logical development and a big step towards capital market reforms.

Against this backdrop, the Company will continue to closely monitor operating status of its direct investments in China: search for opportunities to dispose those investments which under-perform or are slow in contribution to investment returns; identify and review potential projects with shorter exit horizon and good management; exit and collect pay back from performing projects to realise profits; extend scope to include information technology projects for new investments, etc.

Hong Kong Economy

The outlook for Hong Kong's economy in 2001 is positive. GDP is expected to grow in a healthy trend as economic recovery is in sight. Corporate earnings are expected to improve significantly. Private consumption, retail sales and export growth will follow suit. The property market will continue to improve, as the government's housing policies provide a favorable environment in addition to a declining interest-rate cycle. Hong Kong's economy is going through a transformation phase, as it gradually shifts towards the service sector and develops its IT industry.

The Company's listed portfolio is well-positioned to benefit from a recovery in Hong Kong's property market as an overweight position in property developers is maintained. Property counters are likely to register positive returns and outperform the Hang Seng Index in 2001. On the other hand, the Company will continue to underweight technology stocks as their valuations remain high even after the recent crash.