The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present its annual report for the year ended December 31, 2006.

REVIEW OF RESULTS

The Company recorded a net operating profit of US$1,112,830 for the year ended December 31, 2006, a decrease of 31.24% year-on-year when compared with a net profit of US$1,618,427 in 2005. The drop in income was mainly attributable to lack of dividend income and more realized gains derived from unlisted investments as was in 2005. During the period under review, the Company succeeded in divesting the remaining active unlisted investment via its wholly-owned single purpose subsidiary and captured a realized profit of US$600,000. Details of the Company's unlisted investment portfolio are set out on pages 14 to 17 of this annual report. The Company has exhausted much effort in the past two years to identify exit alternatives for historical unlisted investments.

The Company's dividend income of US$189,185 was derived entirely from its listed securities portfolio. The divestment of unlisted and listed investments had resulted in an overall net realized gain of US$1,509,080.

Hong Kong's key market indices, namely the Hang Seng Index ("HSI") and the Hang Seng China Enterprises Index ("HSCEI") surged 34% and 94% respectively in 2006. Against the backdrop of ample capital inflow, a halt in interest rate hike and speculation that the Renminbi ("RMB") will continue to appreciate, the HSI reached its all-time high and surpassed the 20,000 mark in the last quarter of the year. Performance of the HSCEI was also spectacular. Moderate austerity measures, 3.2% appreciation of the RMB in 2006 and robust economic growth all contributed to the strong demand in China plays. The Company's listed securities portfolio rose 15% in 2006.

Notwithstanding general beliefs by analysts and traders that the Hong Kong stock market will continue to perform well in 2007 due to abundant liquidity and sound economic fundamentals, the Company is mindful of the rich valuation in most stocks and of uncertainties over short-term capital movement.

In addition, warnings by government officials to investors not to invest blindly in the secondary market were construed as China's concern over the building of a stock market bubble. The Chinese government's priority is to maintain stability and prosperity, should the current torrid optimism in the stock market continue, it will invariably increase greater volatility. Accordingly, the Company will remain cautious in stock selection and vigilant of market movements.

In May 2006, the Company paid to its shareholders a special final dividend of US$1.20 per share for 2005. The Company's net asset value ("NAV") per share as at December 31, 2006 was US$3.11 after such dividend distribution, a 22.83% decrease compared with US$4.03 at the end of 2005. As at the end of December 2006, the Company's share price was US$2.10 (2005: US$3.925), reflecting a 32.48% discount to NAV per share.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company's continued success in finding exit for invested projects resulted in a liquid position despite the US$10,686,000 dividend payout for 2005. As at December 31, 2006, the Company's cash position was US$14,843,855 (2005: US$19,733,275) of which approximately US$680,297 (2005: US$892,123) was held in RMB equivalent at a registered financial institution in China. RMB is not a freely convertible currency and since July 22, 2005, it has appreciated by about 3.8% versus the US dollar by the end of 2006. Heeding advice from the Board to seek better returns on cash management, the Company placed approximately US$6.2 million deposit with Standard Chartered Bank, Hong Kong, a recognized sub-custodian bank of the Company's custodian, State Street Bank and Trust Company.

The Company had neither any bank borrowings nor capital commitment on its unlisted investments at the end of December 2006.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Except for the RMB deposits, majority of the Company's assets are denominated in US dollars and Hong Kong dollars. As long as the Hong Kong dollar continues its peg to the US dollar in the foreseeable future, the Company does not anticipate any material exposure to exchange fluctuations. Accordingly, no hedging instruments were made nor transacted to cushion for such exposure.

The slow and moderate appreciation of the RMB regime against the US dollar has a positive but negligible impact on the Company.

STAFF COSTS

Other than to retain a qualified accountant to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has no other employee. The Company continues to delegate the day-to-day administration of its investment portfolio to its investment manager, Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager").

CORPORATE GOVERNANCE

The Company is committed to achieve sound standards of corporate governance practices. Throughout the year ended December 31, 2006, the Company has fully complied with all requirements set out in the code of Corporate Governance Practices contained in Appendix 14 of the Listing Rules. Please refer to the "Corporate Governance Report" set out in pages 18 to 22 of this annual report for detailed information.

DIVIDENDS

Subject to shareholders approval at the Company's annual general meeting to be held on April 25, 2007, the Board recommends a special final dividend, to be paid from the share premium account, of US$0.50 per share payable in cash for 2006, representing a 18.18% return on the market share price at the time of announcing such dividend. If approved, distributions of such dividend will be paid on or before May 17, 2007 to shareholders whose names appear on the Company's Register of Members on April 18, 2007.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from April 19, 2007 to April 25, 2007, both days inclusive, during which period no transfer of shares will 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 no later than 4:00 p.m. on April 18, 2007.

OUTLOOK FOR 2007

China's GDP growth rate in 2006 was 10.7%. Looking ahead, with domestic macro tightening and slowing imports, it is expected China's growth in GDP will still be in the range of 9% to 10%. The drivers for China's growth will more likely shift from export-driven to consumption and fixed assets investments oriented. A healthy and steady economy, equity flows into emerging markets, earnings growth and positive earnings from manufacturing by Chinese corporations, and the gradual RMB revaluation, will continue to remain the fundamentals for China's economic growth.

The key risks of China's economy remain the same as with previous years: unexpected downturn in external demand, from the US in particular, gradual loss of competitiveness from rising wages and costs of doing business, economic overheating and the anticipated policy tightening may all affect China's growth rate.

China's stock market will continue to be subjected to regulatory scrutiny and policy interference if and when the government deems necessary. The high savings rate in China and the relatively lack of investment alternatives have driven China's retail investors into the equity market in droves. Investors are complacent about interest rates and a potential US slowdown. With no immediate sign of fund outflow from the market, secondary market in China and hence in Hong Kong for 2007 are generally expected to perform well, barring a US recession.

China will continue to invest in large scale infrastructure projects for the 2008 summer Olympics as well as to develop the hinterland. Manufacturing will continue to be upgraded to move up the value chain of its output. Reforms will be broadened to attain "social harmony" which includes anti-corruption, equality in income, housing distribution, and putting constraint on rampant mis-use of farmland. Tax reform to unify foreign and domestic corporations by 2008 will benefit earnings of domestic corporations. Chinese companies will continue to speed up their corporate restructuring which process will involve assets injection, asset swaps, buybacks by parents, etc. All these will create investment opportunities for equity investments.

On the local front, benefiting from the global rise and especially from China's growth, Hong Kong's economy in 2007 is expected to continue to grow. It has the record number of employment from late 2006 till present, with wage increase and the Hong Kong Government's continuing prudent financial policy, tax payers will receive a one-off tax relief, and property tax reduction to homeowners in 2007. Private consumption will remain healthy.

The Company will continue to monitor the macro economic trend and capitalize on investment opportunities both in unlisted and listed securities.

For and on behalf of the Board
WU, Choi Sun William
Executive Director

Hong Kong, March 21, 2007