

SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 770)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2006

FINANCIAL RESULTS

The Board of Directors (the “Board”) of Shanghai International Shanghai Growth Investment Limited (the “Company”) announces that the audited annual results of the Company for the year ended December 31, 2006 are as below:

INCOME STATEMENT

For the year ended December 31, 2006

	Notes	2006 US\$	2005 US\$
Investment Income	3	<u>635,033</u>	<u>1,196,599</u>
Gain and loss on investments			
Gain on sale of investments in listed securities		909,080	182,774
Gain on sale of investments in unlisted securities		600,000	7,499,318
Impairment loss recognized in respect of an investment in unlisted securities		–	(5,121,600)
Other income		<u>2,007</u>	<u>–</u>
		<u>1,511,087</u>	<u>2,560,492</u>
Increase in fair value of an investment property		<u>40,000</u>	<u>73,000</u>
Operating expenses			
Investment Manager’s fee		(625,168)	(1,727,700)
Administrative expenses			
Directors’ emoluments		(38,602)	(38,646)
Other administrative expenses		<u>(409,520)</u>	<u>(445,318)</u>
		<u>(1,073,290)</u>	<u>(2,211,664)</u>
PROFIT FOR THE YEAR		<u>1,112,830</u>	<u>1,618,427</u>
EARNINGS PER SHARE			
– BASIC	5	<u>12.5 cents</u>	<u>18.2 cents</u>

BALANCE SHEET
At December 31, 2006

	<i>Notes</i>	2006 <i>US\$</i>	2005 <i>US\$</i>
NON-CURRENT ASSETS			
Investments in unlisted securities		–	3,960,000
Investments in listed securities		9,863,728	11,424,171
Investment property		680,000	640,000
		<u>10,543,728</u>	<u>16,024,171</u>
CURRENT ASSETS			
Dividend, interest and other receivables and prepayments		213,237	357,859
Consideration receivable from disposal of an unlisted investment		2,310,000	–
Bank balances		14,843,855	19,733,275
		<u>17,367,092</u>	<u>20,091,134</u>
CURRENT LIABILITIES			
Accrued charges		45,771	8,575
Amount due to Investment Manager		148,394	184,073
		<u>194,165</u>	<u>192,648</u>
NET CURRENT ASSETS		<u>17,172,927</u>	<u>19,898,486</u>
		<u>27,716,655</u>	<u>35,922,657</u>
CAPITAL AND RESERVES			
Share capital		890,500	890,500
Reserves		26,826,155	35,032,157
		<u>27,716,655</u>	<u>35,922,657</u>
NET ASSET VALUE PER SHARE	7	<u>3.11</u>	<u>4.03</u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING PRACTICE

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied, for the first time, a number of new and revised HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after January 1, 2005 or January 1, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required.

3. INVESTMENT INCOME

	2006	2005
	<i>US\$</i>	<i>US\$</i>
Dividend income		
– Listed securities	189,185	169,719
– Unlisted securities	–	566,277
Interest income	445,848	460,603
	<u>635,033</u>	<u>1,196,599</u>

No segment information is presented as the Company has only one business activity, namely investment holding and operates in Greater China only.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has no assessable profits for both years.

5. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year of US\$1,112,830 (2005: US\$1,618,427) and on the number of 8,905,000 (2005: 8,905,000) ordinary shares in issue during the year.

No diluted earnings per share has been presented as the Company has no potential ordinary shares outstanding during both years.

6. DIVIDEND

	2006	2005
	<i>US\$</i>	<i>US\$</i>
Final dividend paid – nil (2005: US\$0.30 per share)	–	2,671,500
Special final dividend paid – US\$1.20 per share (2005: US\$1.20 per share) paid from the share premium account	10,686,000	10,686,000
	<u>10,686,000</u>	<u>13,357,500</u>

Subject to approval by shareholders at the annual general meeting of the Company to be held on April 25, 2007, the Board proposes a special final dividend of US\$0.50 per share in cash for 2006, representing approximately a 18.18% return on the market share price at the time of announcing such dividend. This special final dividend, if approved, will be paid on or before May 17, 2007 to shareholders whose names are on the Company's Register of Members on April 18, 2007.

7. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Company as at December 31, 2006 of US\$27,716,655 (2005:US\$35,922,657) and on the number of 8,905,000 (2005: 8,905,000) ordinary shares in issue as at December 31, 2006.

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 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 no later than 4:00 p.m. on April 18, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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. 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 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.

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 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.

Review on unlisted investments

During the year 2006, the Company divested its investment in Shanghai Well Bright Foods Co., Ltd via a wholly-owned special purpose vehicle. As at December 31, 2006, apart from those investments which valuation have been fully impaired and fully provided, the Company has exited from all active unlisted investments.

On August 8, 2006, the Ministry of Commerce (“MOFCOM”), joined by the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry and Commerce, China Securities Regulatory Commission and State Administration of Foreign Exchange, released a revised Provisions for Foreign Investors to Merge and Acquire Domestic Enterprises (the “M&A Rules”). The revised M&A Rules, which took effect on September 8, 2006, represents an important step in China’s further development to regulate and govern acquisitions of China-based companies by foreign interests. The revised M&A Rules empowers MOFCOM the authority in anti-trust and M&A reviews which may significantly affect the means by which offshore and onshore restructurings are conducted in China in connection with offshore private equity and venture capital financings, mergers and acquisitions, and initial public offerings. As a result, the lengthy approval procedures and additional uncertainty hampers the M&A process and increases the cost of conducting direct investments.

During the year under review, the Company continued to adopt a prudent and thorough investment approach to explore scores of new investment opportunities. Among those prospects, further due diligence and research in a number of selected companies were conducted. However, due to the overhang of the M&A Rules and the horizons to profitability of those reviewed prospects, the Company was not comfortable with the relatively uncertain exit alternatives suggested and remained cautious in its investment approach.

Highlights of progress

- **Shanghai Well Bright Foods Co., Ltd. (“Well Bright”)**: The Company set up an offshore single purpose wholly-owned subsidiary, Guardian Investment Growth Limited (“Guardian”), to which the Company’s entire beneficial interest in Well Bright was transferred. Guardian entered into a sale and purchase agreement with a purchaser to divest its entire interest in Well Bright for a consideration of US\$4,560,000. The share transfer was approved by Songjiang authority on October 19, 2006, pursuant to which a realized gain of US\$600,000 was recorded.
- **Zhejiang Huguang Heat and Power Co., Ltd. (“Zhejiang Huguang”)**: The Company’s sale of its 25% equity interest in Zhejiang Huguang was completed on March 20, 2006 upon receipt of approval from the Foreign Trade and Economic Cooperation Bureau in Shaoxing on the relevant share transfer. Since all sale proceeds were already received in 2005, the approval formally concluded the Company’s exit from this investment.
- **GSMC International Limited (“GSMCI”)**: Since its exit from GSMCI in 2002, the Company has recovered all of its invested capital at the end of March 2006. A net gain of US\$129,490 was recorded, representing interest compensation paid by GSMCI at 8% per annum on outstanding principal.

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 be more likely to shift from export driven to consumption and fixed assets investments oriented. A healthy strong economic growth, equity flows into emerging markets, earnings growth and positive earnings from manufacturing upgrade by Chinese corporations, and the Renminbi (“RMB”) revaluation will continue to remain the conditions for China’s economic growth.

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 is expected to remain healthy.

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

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENT

The Company's continued success in finding exit for invested projects results 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 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, 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 cash deposit with Standard Chartered Bank, Hong Kong, a recognized sub-custodian bank outside of 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 bank deposits, the 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 to the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company did not purchase, sell or redeem any of its own shares.

AUDIT COMMITTEE

The Company's Audit Committee has been established since 1999 and currently comprises four non-executive directors, three of them being independent. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the annual results of the Company for the year ended December 31, 2006.

CORPORATE GOVERNANCE

Throughout the year ended December 31, 2006, the Company has applied the principles and complied with all requirements set out in the code on corporate governance practices contained in Appendix 14 of the Main Board Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company ("Model Code"). Having made specific enquiry of all Directors of the Company, all Directors confirmed they had complied with the required standard set out in the Model Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Company's balance sheet, income statement and the related notes thereto for the year ended December 31, 2006 as set out in the Preliminary Announcement have been agreed by the Company's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Wu Choi Sun, William and Dr. Xue Wanxiang as executive directors; Dr. Hua Min, Mr. Ong Ka Thai and Mr. Yick Wing Fat, Simon as independent non-executive directors; and Mr. Cai Nongrui, Mr. Chen Chi-chuan, Mr. Chiu Tak-chiang, Mr. Hu Jingtang, Mr. Lee Tien-chieh, Mr. Tseng Ta-mon, Dr. Wang Changhong and Mr. Zhou Youdao as non-executive directors.

For and on behalf of the Board
Shanghai International Shanghai Growth Investment Limited
Wu Choi Sun William
Executive Director

Hong Kong, March 21, 2007

“Please also refer to the published version of this announcement in the South China Morning Post”