

BOARD OF DIRECTORS' STATEMENT

The Board of Directors (the "Board") of Shanghai International Shanghai Growth Investment Limited (the "Company") is pleased to present the tenth annual report for the year ended December 31, 2002.

REVIEW OF RESULTS

Key Figures

The Company recorded a net profit of US\$1,624,754 for the year ended December 31, 2002, compared with a net loss of US\$387,181 in 2001. The turnaround was due essentially to two reasons. Firstly, the Company's prudent investment strategy began to see results either from project companies successfully obtaining capital appreciation or from dividend income from its portfolio. Secondly, the Company continued to de-emphasize and maintained a conservative approach in its listed investments, thereby minimizing risks exposure to market volatility. During the year, the Company's dividend income from unlisted and listed investments amounted to US\$2,370,915, together with a net realized gain on disposal of investments at US\$467,404.

The Hang Seng Index ("HSI") stayed firm in the first five months of 2002 on expectations that the global and domestic economies would soon recover. However, concerns over accounting irregularities in corporate America and a deceleration of global growth rate dampened investors' sentiment, sending the HSI to a four months slump. Measures taken by the Hong Kong government to stabilize property prices coincided with a technical rebound in overseas markets and triggered a rally in October. The rally lasted till early December when geopolitical uncertainties of the U.S.-Iraqi military tension once more affected market sentiment. The HSI was down 18.2% for the whole of 2002, marking the third consecutive year of negative return.

In managing its portfolio of listed investments, the Company closely monitored the market and took action to de-emphasize its portfolio when and where necessary on the one hand and continued to maintain a conservation stance on the other. By the end of December 2002, the Company's listed portfolio registered a 12.6% loss for the year.

Despite sharp dives in major stock markets in 2002, China's economy remained robust with an impressive 8% GDP growth for the year. Despite the much awaited U.S.-U.K. led military advance in Iraq that triggered an initial sharp rebound in stock markets around the globe, the year ahead will continue to be challenging, as it is too early to tell how long the market can soar, especially if the war lasts longer than expected. Bullish sentiment seems to suggest that when all dust is settled, investors will be more aggressive to invest in the market. Whereas the conservative approach takes into account the bigger challenge of the aftermath, and down plays the optimism of an immediate strong economic growth in the U.S., attributable mainly to the low consumer confidence.

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

Shanghai International Asset Management (HK) Co., Ltd. (the "Investment Manager") has adopted a two-pronged growth strategy in managing the Company's assets. This involves exhausting its best efforts to sanitize past investments and making viable new investments to improve the portfolio's asset quality.

Much efforts have been spent in attempts to recover all or part of the money invested in non-performing projects. That is a slow and hard negotiating process and the Investment Manager was able to produce results.

For new investments, the Investment Manager has a clear mental accounting of the time frame it gauges to generate investment returns within a reasonable horizon. To achieve that end, it screens and selects with great care investment projects with sound management, transparency, potential of market growth, and expected timing of exit alternatives. More importantly, the Investment Manager capitalized on the integrated platform of its parent companies in achieving the above-mentioned investment objectives. The pooled parental resources differentiate it from being just another fund manager by being able to offer a host of services to investee companies. The Investment Manager will continue to exercise prudence and caution in selecting, screening, appraising, and conducting due diligence on investment proposals.

For the year ending 2001, the Company paid a combined year end and special dividend of US\$1.00 per share in June 2002, pursuant to which the Company's net asset value ("NAV") per share as at December 31, 2002 was US\$5.88, a 13.9% drop compared with the NAV per share of US\$6.83 in 2001 before dividend distribution, but represents a gain of 0.86% of the NAV per share in 2001 on an ex-dividend basis. At the end of December 2002, the Company's share price was US\$2.80 (2001: US\$3.225), reflecting a 52.38% discount to NAV per share.

CORPORATE GOVERNANCE

On the subject of corporate governance, the Company is pleased to have a strong Board a majority of which are non-executive directors with diverse backgrounds who nonetheless share a common investment philosophy. Their vast experience contributes to the direction of the Company. They not only ensure that the Company conducts business in the best interests of its shareholders but also oversee compliance with governing rules and regulations such that the highest standard of corporate governance is maintained.

An Audit Committee has been established since 1999 to provide checks and balances advisory function. It makes recommendations to the Board in its review with the Investment Manager regarding the accounting principles and practices adopted by the Company and the internal control and financial reporting matters arising from annual audit and interim review. It comprises three non-executive directors, two of them being independent.

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DIVIDEND AND DIVIDEND POLICY

Subject to approval by shareholders at the annual general meeting of the Company to be held on May 20, 2003, the Board recommends a final dividend of US\$0.20 per share and a special final dividend of US\$0.20 per share in cash for 2002, representing approximately a 15.38% return on the market share price at the time of announcing such dividend. Both dividend distributions, if approved, will be paid on or before June 10, 2003 to shareholders whose names are on the Company's Register of Members on May 20, 2003.

The Board has concluded that, in view of the increasing quality and maturity of the Company's investment portfolio, it should be possible to pay a recurrent final dividend at a level comparable to that of the current year for the foreseeable future. The Board will in addition consider the payment of a special dividend, whenever practicable, to increase the yield to shareholders. A special dividend has been paid by the Company in respect of each of the past three financial years. The payment of a special dividend will depend however on the outcome of specific divestment and/or exit strategies for the year in question.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from May 13, 2003 to May 20, 2003, 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. on May 12, 2003.

OUTLOOK FOR 2003

The year ahead will continue to be challenging given the U.S.-U.K. led military advance in Iraq is in progress. As to how long the military conflict will last and the handling of the aftermath when the war is over still remain uncertain as of this date, and in particular concerns over the speed and strength of the economic recovery in the U.S., the economic performance in Europe, and the economic reforms in Japan.

However, since the Company's investment focus is in Greater China, which GDP in the past decade has grown at an average rate of more than 9% per annum and which robust growth is perceived to persist in the year ahead, it stands to benefit from the momentum of China's economic growth and is relatively less affected from the tumultuous volatility in other markets.

The uncertainties of the outcome of the war with Iraq suggest that the global economy would remain subdued for the greater part of 2003.

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Concentration will continue to be placed in identifying and selecting quality direct investment projects, with the specific understanding that such investments are to be structured with viable exit alternatives.

The Board believes that the Company's prudent investment strategy for unlisted projects and listed investments, coupled with the Board's resolve to keep up a consistent dividend policy, should help to enhance the long term value of the Company and thus the value for its shareholders as a whole.

The Board is encouraged by the Investment Manager's continuous efforts to overhaul those non-performing investments over the past few years, and the general quality of the newly-invested projects to upgrade the portfolio quality during the same period. Results generated from recovery of capital from non-performing investments in the past, dividends received from the good ones, exit of newly-invested projects, terms and conditions negotiated for newly-selected investments all help to reinforce the Board's conviction that the Company is moving in the right direction. Above all, anchoring the Greater China market with direct access to the pulsation of its economic vibrancy, and witnessing the massive influx of overseas Chinese and foreign direct investments into China either to use it as an alternative manufacturing base or to target its mammoth consumption market, provides the Company with good investment opportunities to capitalize on in this niche market.

On behalf of the Board,
Wu Choi Sun, William
Executive Director

March 20, 2003