

Vice-Chairman's Statement

A decorative graphic consisting of three overlapping arrows pointing to the right. The top arrow is teal, the middle one is light blue, and the bottom one is pink. The arrows are layered, with the pink one being the most prominent and extending furthest to the right. The background is a solid light green color.

Vice-Chairman's Statement



| Business Review |

Properties

During the year, occupancy rate of the eight floors of COSCO Tower maintained at 96% or above. Because of the downward adjustment in office properties, the rental income of the Group, despite maintaining at a stable rental rate level, decreased as compared to year 2001. With continual economic difficulties in 2002, overall rental rate in Hong Kong has plunged and thereby pertinent adjustment has been made on rental rate of grade-A offices.

In July 2002, the Central Government announced all land sales had to be conducted in public auctions and tenders. The new policy is expected to be effective to curb unofficial and private land sale programs. Thus, it is a positive development for property players like the Group as well as foreign

investors to make long-term investment in China's property market.

Besides, both the Shanghai and Beijing governments repealed the policy on the classification of flats for local and overseas buyers in mid 2001 and 2002 respectively. Therefore, our residential and commercial projects, such as the Fragrant Garden in Shanghai and Ocean Prospect in Beijing, can be sold to overseas buyers after the introduction of the new policy. With the stimulation of the new policy, the sales of Fragrant Garden Phase I Zone I and II were overwhelming and all the units have been almost sold out and delivered. The pre-sale of Phase II is scheduled to launch at end of March 2003 and the construction work is progressing well and is expected to be finished by end of second quarter of 2004.

On late January 2003, the Group announced to acquire a 20% of the enlarged issued share capital in

- Maximising corporate profits
- Market-oriented strategy
- Qualified service
- Well-trimmed management
- Strong team work among staff

CRED from its parent company, COSCO. The total cash consideration amounted to RMB218,250,000. The CRED's properties under development comprises a total areas of about 800,000 sq.m. and its land bank amounted to over 2,500,000 sq.m. The new projects under development include Ocean Landscape (formerly Ocean Yuquan Garden), Kai Cheng Plaza and CBD Public Building, etc. In the meantime, for the sake of simplifying the shareholding structure of CRED, the Group announced to sell its entire 49% equity interest in Tian Lin to Yuan Kun, a subsidiary of CRED. Together with Tian Lin's repayment of the outstanding aggregated shareholders' loan advanced by the Group, the amount will be RMB289,390,000. The acquisition of the

equity interest in CRED signifies an advantage for the Group to tap into mainland's property market. Equipped with the ultimate strength and experience, the management is fully confident that it will further expand its market share in the years to come.



Phase II of Fragrant Garden in Shanghai is under construction



Ocean Prospect in Beijing

Ship Trading and Supplying Services

On 6th May 2002, the Group announced the acquisition of a 60% equity interest in COSCO Ship Trading from COSCO (H.K.) Industry & Trade Holdings Limited, a wholly-owned subsidiary of COSCO Hong Kong, in order to position the Group in developing ship trading and supplying services. The consideration of the acquisition amounted to HK\$59,400,000. After that, COSCO Ship Trading became a subsidiary of the Company with effect from 1st July 2002.

COSCO Ship Trading is the only window company in the ship trading business of COSCO and is the sole agent and shipbroker of the COSCO group in respect of the provision of the shipping agency services. The core businesses of COSCO Ship Trading include sale and purchase of new and second-hand vessels (including scrap vessels), bareboat charter business, sale and purchase of marine equipment for new shipbuilding projects and provision of consulting services in ship techniques, business and trade, shipping market analysis, ship valuation and financing.

Building Construction

In fiscal 2002, Shun Shing Construction & Engineering Company Limited ("SSCE"), a wholly-owned subsidiary of the Company, has successfully completed the first school village project in Hong Kong which comprising both "design & construction" at Po Kong Village Road in Kowloon. The development consisted of 3 standard primary schools with 30 classrooms each, a 30-classroom standard secondary school, building services including installation of underground services

and utilities, associated external works and other facilities, re-construction of site entrance and pavement. The site area of the project was 35,000 sq.m. and construction floor area was 44,419 sq.m. The contract sum was approximately HK\$383,000,000.

Moreover, SSCE was also granted its first construction contract from major developers in Hong Kong to build a private residential project in the beginning of 2002. The private residential development, the Sky Tower, in To Kwa Wan is scheduled to complete in 2004. The gross floor area is 173,075 sq.m. with contract value amounted to HK\$867,000,000.



A school project at Po Kong Village Road in Kowloon

Infrastructure

Henan Xinzhongyi Electric Power Company Limited ("Henan Power Plant") is the major infrastructure investment of the Group. During the period under review, Henan Power Plant has implemented various measures on strengthening its management, especially the supervision of production and operation by which fully enhance efficiency. The demand of electricity was in an increasing trend, however, the coal price also increased substantially which affected the production cost. The operation environment of Henan Power Plant became more difficult.



Henan Power Plant

High Technology

Striving hard to work for the best benefit to the shareholders is definitely the Group's major objective. Thus the Group signed an agreement to sell 51% equity interest in Ark Pioneer Microelectronics (Shenzhen) Limited ("Ark Pioneer") on 30th January 2003. The total consideration was satisfactory.

Future Outlook and Strategies

Properties

Looking forward to 2003, we are expecting opportunities given that "Mainland China" is a key factor to our success. To attain satisfactory occupancy rates for COSCO Tower, we are determined to stay ahead of the market by means of implementing more market promotions. However, due to the average rental price remains at a low level since last year, it may reduce our income flow to a certain extent.

According to the World Bank, property development of a country will grow rapidly after its citizen's per capita income reaching US\$700 to US\$1,300 annually and before its citizen's average living space reaching 35 sq.m.. Hence the property sector in China for the next few years will be likely to climb. Coupled with the encouraging factors such as China's entry into the WTO, Beijing's hosting of 2008 Olympic Games and Shanghai's hosting of 2010 World Expo, the Group will be benefited by the strong property demands in Shanghai and Beijing.



Phase I of Fragrant Garden in Shanghai



Maiden voyage of a new vessel

Ship Trading and Supplying Services

We foresee the demand and the sale of the new vessels and shipbuilding projects will go up steadily in 2003. Besides functioning as the window company in the ship trading business of COSCO and the shipping agent of COSCO group, COSCO Ship Trading will actively seize market opportunities for profit growth. COSCO Ship Trading, with its know-hows in dealing with international markets, techniques and business operations, will also aggressively explore market shares outside COSCO group amidst strong development of ship building market in China and the increasing demands by overseas corporations.

Building Construction

The Hong Kong Government has launched a series of new policies to reduce the number of Home Ownership Scheme ("HOS") flats in the past years. At the end of 2002, the government implemented nine measures aiming at stabilizing the property market, which including suspension of land auctions and "Application List" until the end of 2003, as well as moratorium on construction and sale of HOS flats. It created a bitter business environment for the building and construction industry in Hong Kong.

SSCE has responded promptly in this difficult environment by enhancing its control in construction supervision, safety measures and cost management.

Infrastructure

The power reform in China is expected to bring enormous changes in the electricity market. Together with the surge of raw material cost, the cost of running the plant will be largely increased. Facing the challenges ahead, Henan Power Plant will implement crucial measures including "self-run, self-govern", strengthening management, cost control and production supervision, hoping that the plant will be more productive to the Group.

| Conclusion |

According to International Monetary Fund, Hong Kong's economy is expected to have 3% growth in 2003 supported by the vigorous growth in China. Looking forward to 2003, we believe that the global economy will improve gradually. To make a bid for ultimate success, all of our staff will commit themselves to the 25-word corporate motto: "Maximising corporate profits, Market-oriented strategy, Qualified service, Well-trimmed management and Strong team work among staff". In order to consolidate the businesses and management, as well as, to strive for better results, our staff will emphasise on "Stability, Safety, Liquidity, Efficiency."

LIU Guoyuan

Vice-Chairman

Hong Kong, 25th March 2003