

Chairman's Statement ►

The Group recorded a profit of HK\$2,380,000 for the year under review as compared to a net loss of HK\$72,782,000 in 2001.

HONG KONG INVESTMENT PROPERTIES

Due to the continuous sluggishness of the property leasing market in Hong Kong, rental rate continued to decline in the year of 2002. Gross rental income of the Group for the year under review fell by about 29%. With the Group's dedicated efforts and revised leasing strategies, the occupancy rates of its Hong Kong investment properties have begun to pick up slightly by the end of the year 2002.

BEIJING DONGZHIMEN INTERNATIONAL APARTMENT CO., LTD. ("DONGZHIMEN")

Dongzhimen is a sino-foreign equity joint venture which was established by Shougang Hotel Development Company Limited and The East Asiatic Co. (China) Limited in 1986. The Group has acquired 44% of Dongzhimen's shareholding interests in 1998. Dongzhimen mainly engages in leasing business of East Lake Villas (consists of renting out of garden villas, high-rise apartments and office building) while its club house offers a variety of services including Chinese and Western restaurants, entertainment facilities and gymnasiums, beauty salons as well as shopping services etc.



East Lake Villas is characterized by its typical fine art style and architecture of Suzhou Garden, ranging from oriental cottages with balcony, greenery and flora gardens to man-made ponds and waterfalls. With its elegant atmosphere, modern facilities, advanced property management and excellent services, East Lake Villas is one of the most renowned



and popular villas in Beijing among the expatriates and domestic visitors. It is one of the first batch to be appraised as "Four-star Villa", the highest rank in the National Appraisal for Foreigner-oriented Apartments, in 1999. Moreover, as East Lake Villas is located in embassy district, its occupancy rates have long been among the highest to its counterparts and the garden villas are particularly in shortage of supply for years. In



fact, apart from the financial year under review, Dongzhimen has made profit contributions to the Group in all years.

Despite the keen competition in the property leasing market in Beijing, occupancy rate of Phase 2 of Dongzhimen exceeded 90% in its first year of operation. However, due to the combined effects of the reduction in revenue of Phase I

resulting from its close down for renovation and the increased depreciation charges resulting from the operation of Phase II, the Group shared a loss of Dongzhimen for the year under review. The renovation of Phase I is mainly to further enhance its competitiveness in the market. The renovation is scheduled to be completed during the year 2003. It is expected that its revenue and profits will be improved gradually in the year 2004. The management is optimistic about the future contribution of Dongzhimen to the Group.

SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED ("SHOUGANG TECHNOLOGY")

Notwithstanding the current difficult operating conditions under the weak general economy and consumer confidence, Shougang Technology achieved a turnaround on its financial results for the year under review with its cost reduction measures.

During the year under review, both sales and profits of its Telephone Accessories and Power Cords Division and High Precision Metal Parts Division increased. On the other hand, despite a substantial drop in turnover of its Adaptors and Electronic Products Division, it was still able to maintain a profit for the year. With the recent increasing sales orders, it is expected that the performance of this division will be improved.

Shougang Technology's jointly-controlled entity has successfully maintained its leading position in the supply of copper wire for computer cords in the Pearl River Delta Region with its flexible pricing policy. It achieved a growth in both turnover and profit during the year under review. In addition, Shougang Technology's long term investment in printed circuits board factory in Tianjin also continued to show satisfactory growth in profit.



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In the year ahead, Shougang Technology will continue to enhance controls in manufacturing cost of all divisions and put emphasis on control in production yield and operational efficiency in order to further improve its gross profit margin. With the strong financial position and the positive business trend of latest development of Shougang Technology, management is optimistic about the prospects of Shougang Technology.

OUTLOOK

Notwithstanding the general economic downturn and the uncertainty in the global economy, the Mainland China's economy has grown at a satisfactory pace when compared to other parts of the world in the year 2002. Its accession to the World Trade Organization, Beijing's hosting of its 2008 Olympic Games, its liberal mortgage policies and the emergence of a secondary property market are expected to further help boost its property market and economic growth.

Looking ahead, 2003 will still be another challenging year for Hong Kong. Despite the current economic situation of Hong Kong, the robust economy on the Mainland China, growing two-way traffic across the border, quickening economic integration with the Pearl River delta and the accelerated opening up of the markets and economic reform on the Mainland China will provide enormous momentum for Hong Kong's growth over the medium to long term.

In view of the current economic condition, the Group will endeavour to explore further business opportunities in the Mainland China in the year 2003 by taking the full advantage of the strong leverage of Shougang Corporation, its ultimate holding company, in order to diversify its business interests and further strengthen its asset base. With the immense support from Shougang Corporation, the Group will be in a position to expand its business interests and broaden its earning base. The Board is confident of the Group's prospects in the coming years.

ACKNOWLEDGEMENT

The Board would also like to take this opportunity to express our gratitude to our shareholders for their continued support, and to all our staff for their dedication and hard work.

By Order of the Board

Cao Zhong

Vice-Chairman

Hong Kong, 16 April 2003