

a strategic investor in October 2002. In the first half year of 2003, CPDH concentrated on the development of the Pacific Town Project and made a milestone achievement in July. The Pacific Town Project received its planning approval on 2 July 2003. Planning approval is a major development stage for any property projects in China. It removes a major uncertainty during the development stage and enhances the project's marketability. After obtaining planning approval, the Pacific Town Project will make preparation for resettlement and clearance of the site area. Construction work will start immediately after the site clearance and sale of the Phase I project of around 400 apartment units is expected to begin after the Chinese New Year in 2004.

ING Beijing has also approved the investment in Sunny Plaza Project. Sunny Plaza Project is a high-end residential development project located in the northeastern corner of Beijing within the Chaoyang District. The project with gross floor area of approximately 150,000 sq. metres will include around 100,000 sq. metres for residential apartments and the remaining area for two serviced apartments.

ING Beijing will initially invest USD2.4 million and take up 20% respective interest of the Project. Sunny Plaza Project is close to Shun Jing Golf course. Located in the northeastern part of the city, next to the northern fourth ring road, the Sunny Plaza Project is in proximity to Asian Games Village and the Third Embassy Districts.

FUTURE PROSPECTS

Though experienced a slight setback during the period of SARS, Beijing's property market is recovering to its energetic tendency with both supply and demand outperformed that of last year.

In the past, people evaluate properties from the angles of price, location, floor plan design and appreciation potential. The situation has changed after the outbreak of SARS. Home buyers as well as developers are now focusing their attention to healthy living. High quality properties with healthy living environment are becoming popular.

It is the Group's strategy to make further investment in the Beijing property sector. The Company is confident with the Beijing property market and expect to benefit from the increasing customer preference towards quality property products.

REVIEW OF EXISTING PORTFOLIO

Beijing Pacific Palace Real Estate Development Co. Ltd. ("Pacific Town Project")

The Pacific Town Project received its planning approval on 2 July 2003 within 15 days after submission to the Beijing Municipal City Planning Committee. This process normally takes 3-6 months to complete. This illustrated the advantage of the management team with its knowledge and network in the Beijing property development sector. After obtaining the planning approval, the Pacific Town Project will make preparation for resettlement and clearance of the site area. Construction work will start immediately after the site clearance.

The site plan was prepared by Langdon Wilson Architects, one of the leading architects in the United States, together with Sunlight Architects & Engineers Co., Ltd. in Beijing. The site has a total gross area of 430,750 sq. metres and above ground gross floor area of 323,250 sq. metres. The Phase I of the Pacific Town Project comprises 80,000 sq. metres of around 400 high rise residential apartment units. All apartment units will be decorated with luxury standard and over 80% of which with river view.

The apartments are to be priced at an average sale price of Rmb8,800 per sq. metre. The sale of Phase I is expected to begin after the Chinese New Year in 2004.

Skyworth Digital Holdings limited ("Skyworth")

From April to June 2003, despite the outbreak of SARS has dampened the consumer sector, Skyworth's TV sales rose 10% to 1,316,000 units as compared to the same period in 2002. China TV sales volume surged by 30%; whereas overseas TV sales volume dropped by 22%. The overseas market has started to pick up quickly from June as the Middle East war ended.