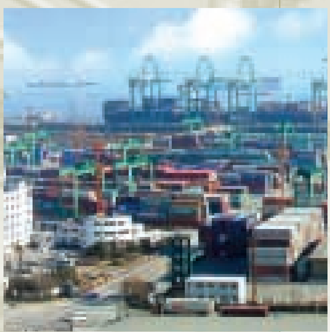
Business Review, Discussion and Analysis
– Infrastructure Facilities



Infrastructure facilities

In line with State policy, the Group disposed of its entire interests in the fixed return elevated highway projects during the year. By investing in the Shanghai-Nanjing Expressway (Shanghai section) project and initiating investment in water services projects, the Group restructured and strengthened the infrastructure business portfolio, enabling more growth with a clearer direction for further development. Net profit from the infrastructure facilities business for 2003 was approximately HK$301.63 million, representing approximately 23.0% of the Group's net business profit*.

Elevated highway projects

During the year, the Group had to terminate its investment in the Inner Ring Road, the North-South Elevated Expressway and the Yanan Elevated Road ahead of time, due to changes in State policy. After many rounds of negotiations between the Group and the relevant government authorities, a satisfactory resolution was reached. An agreement was signed on 29 August 2003 by which the Group disposed of its entire interests to the joint-venture partner and received full reimbursement of the carrying value of the investments, amounting to US$702,475,363 plus after-tax compensation of RMB300 million. The relevant government authorities approved the agreement in September and the issue of fixed-return projects was thus properly settled. This also provided the Group with the opportunity to improve the existing infrastructure facilities portfolio and enhance overall long-term profitability.

* *Net business profit represents net profit before net corporate administrative expenses.*

Toll roads

While settling the issue of fixed-return projects, the Group actively pursued further quality investments in toll roads. On 29 August 2003, the Group announced that it would acquire a 100% interest in Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited, which holds the right to operate the Shanghai section for 25 years, for a consideration of RMB2 billion. The company also operates the service facilities along that section. The Group will invest in the widening project of the Expressway in the future. On 25 December 2003, the Group signed a formal agreement with the Shanghai Municipal Engineering Bureau for this acquisition. The volume of traffic in the city of Shanghai is continually increasing, and while the return on toll roads is linked to usage, this project enjoys high potential for generating great value as well as steady cash revenue for the Group. The total number of vehicles passing through the Shanghai section in 2003 reached 12.33 million, providing a total toll-fee income of approximately RMB173 million for the whole year. Since the Group officially commenced operation in the first quarter of 2004, a daily average of 45,000 vehicles has passed through the section and daily average toll-fee income of approximately RMB626,700 has been recorded, representing an increase of approximately 16.3% and 5.9% respectively compared to the same period last year.

Water services

Growing urbanization in China, further strengthening of the environmental protection laws and regulations by the government and the opening of the water services market have generated huge demand for investments in water supplies and sewage treatment facilities and services, creating enormous room for growth in water services projects. The Group announced in August 2003 that it would collaborate with State-level integrated environmental protection company China National Environment Protection Corp., a subsidiary of China Energy Conservation Investment Corporation, to invest in and operate water-related businesses in China. The two parties formed a joint-venture company, China Water & Sewage Treatment Company Limited ("China Water & Sewage"), in which each owns a 50% stake. The company officially commenced operations in November 2003 and its business has been growing rapidly. It was even elected as one of the 'Ten Most Influential Enterprises' by the water services

46.2% over the same period last year. Throughput at Shanghai ports has been rising continuously. Benefiting from the boom in the import-export trade, the joint venture recorded throughput exceeding 1.76 million TEUs since commencing business, which represents a growth of approximately 49.9% over the same period in the previous year. The terminal covers 18 international shipping routes. Port upgrading and expansion has progressed smoothly during the year and service quality has improved continuously, ensuring stable long-term development and good operating results.

media website, www.H2O-China.com at the end of 2003. China Water & Sewage is negotiating investments in water services projects, including joint operations in water supply plants and sewage plants in provinces such as Jiangsu, Fujian, Anhui, Hunan, and is expected to bring these projects to formal operation in the near future.

Port facilities

The newly formed joint venture, Shanghai Pudong International Container Terminals Limited, has been operating satisfactorily since it commenced operations on 1 March 2003. Revenue for the 10 months was approximately RMB595.64 million, a growth of more than 65%, and net profit stood at approximately RMB261.18 million, representing an increase of approximately

The Group's logistics business continued to make progress in business realignment. EAS International Transportation Limited ("EAS International") won several tenders for its warehouse delivery business in China in 2003, and jointly developed third-party logistics projects with new clients such as Samsung and Huawei. Currently it is engaged in the establishment of joint-venture projects in automobile logistics. EAS International's turnover in 2003 grew by about 29.1% compared to last year. Shanghai Industrial Wai Lian Fa International Logistics Corporation Limited focuses on developing logistics for import-export, as well as manufacturing plants in bonded areas. In September 2003, it became one of the first logistics companies in the Shanghai Waigaoqiao Bonded Area with authorisation to operate direct freight forwarding. Shanghai Industrial Sinotrans International Transportation Company Limited (formerly Shanghai Industrial Sinotrans International Logistics Company Limited) started foundation work for the construction of a warehouse and container freight station in the Shanghai Chemical Industry Zone during the year, and the project is expected to be complete by mid 2004.

Business Review, Discussion and Analysis
– Medicine and Biotechnology

Medicine and Biotechnology

2003 saw key restructuring of the Group's medicine and biotechnology business. In May 2003, the Company announced two major reorganisation moves worth a total of HK$1,335.07 million: firstly, to privatise SIIC Medical Science and Technology (Group) Limited ("SIIC MedTech"), which is listed on the GEM Board of the Hong Kong Stock Exchange; secondly, to acquire an approximate 56.63% interest in A-share listed company Shanghai Industrial United Holdings Co., Ltd. ("SI United"), which is listed on the Shanghai Stock Exchange. All legal procedures for the privatisation of SIIC MedTech were completed within the year, and the company was officially withdrawn from listing on the GEM Board of the Hong Kong Stock Exchange on 17 September 2003 and became a wholly owned subsidiary of the Group. The acquisition of SI United is still awaiting final approval by the relevant government authorities in China.

The SARS outbreak in 2003 was undoubtedly the most significant event affecting the industry during the year. On one hand, it stimulated sales of products for fighting SARS and infection, while on the other it affected sales of prescription drugs and some medical equipment products due to a drop in clinical visits. In general, the Group's medicine and biotechnology business recorded satisfactory results in 2003 with a net profit of approximately HK$125.28 million, an increase of about 1.8 times that of the previous year, which constituted approximately 9.6% of the Group's net business profit*.

Chinese medicine and health food

The companies in the Group engaged in Chinese medicine and health food mainly include Chia Tai Qingchunbao Pharmaceutical Co., Ltd. ("Hangzhou Qingchunbao") and Xiamen Traditional Chinese Medicine Co., Ltd. ("Xiamen TCM"). Hangzhou Qingchunbao recorded a turnover and profit after tax of RMB1,078.07 million and RMB227.17 million for the year, an increase of approximately 27.4% and 21.5% respectively. Xiamen TCM's turnover for the year reached RMB99.87 million, yielding a profit after tax of around RMB24.87 million, increasing about 28.7% and 2.8 times respectively over the 2002 pro-forma results.

During the year, the Group acquired a 30% interest in 杭州胡慶餘堂藥業有限公司(Hangzhou Huqingyutang Pharmaceutical Company Limited) ("Huqingyutang Pharmaceutical") for a consideration of RMB78.67 million. Huqingyutang Pharmaceutical has the royalty-free exclusive licence to manufacture and sell proprietary Chinese medicine and health food in Mainland China under the renowned "Huqingyutang" trademark. As at the end of December 2003, the company's turnover had reached RMB171.20 million.

Business Review, Discussion and Analysis – Medicine and Biotechnology

Huqingyutang Pharmaceutical currently produces more than 170 Chinese medicines. Three of its products have been certified as State-protected Traditional Chinese Medicines, and 40 are listed in the National Essential Health Insurance Medicine Catalogue. The company's major markets are in Eastern China. Turnover of the flagship product, "Stomach Rejuvenation Tablets", exceeded RMB79.10 million for the last year.

Key Chinese medicines including "Qingchunbao Anti-ageing Tablets", the "Dengfeng" injection series and "Dinglu Xinhuang Tablets" all maintained an upward trend in sales. The new "Qingchunbao Beauty Capsule" health product has received a favourable response from consumers and was able to lift sales almost 4 times over last year. Among the new products launched in 2003, "Qingchunbao Yong Zhen Tablets", a sister product of "Qingchunbao Anti-ageing Tablets", recorded the best sales performance. From its launch in September 2003 to the end of December, sales revenue inclusive of sales tax exceeded RMB10 million.

Research and development of new products continued with the "Bone-strengthening Capsule" receiving its approval letter for clinical tests in May 2003. Phase II clinical tests have already commenced. "Kang Wei Granule", which was jointly developed with Xiamen TCM Hospital, received its approval letter for Phase II clinical tests in August 2003. The second phase of development of existing products saw preparations for Phase III clinical tests of the "Dinglu Shenshu Granule" completed in 2003, and clinical tests have already commenced.

"Identifying the Bioactive Components of Shen Mai Injection and Their Mechanisms of Action", a joint research project with the University of Hong Kong, has discovered several effective components in ginseng and mai-tung. These displayed good effects on the protection of cardiac cells, anti low-density fat and protein oxidation. Several well-structured pure compounds were extracted from these effective components, and bioactive and functional tests for these compounds are currently being conducted.

To further expand the scope of its Chinese medicines business, the Group acquired a 55% interest in Liaoning Herbapex Pharmaceutical (Group) Company Limited in March 2004 for RMB85 million. This company manufactures 53 types of Chinese medicine in six different forms. Nine of its products have been certified as State-protected Traditional Chinese Medicines, and 16 are listed in the National Essential Health Insurance Medicine Catalogue. Its principal product, "Cang Song Rupixiao Tablets" for curing fibrocystic disease, enjoyed sales of RMB82.67 million in 2003.

Principal products	Companies	Sales 2002 RMB'000	Sales 2003 RMB'000	Growth
"Qingchunbao" Anti-ageing Tablets	Chia Tai Qingchunbao Pharmaceutical Co., Ltd.	351,188	407,585	16.1%
"Dengfeng" Shen Mai Injection	Chia Tai Qingchunbao Pharmaceutical Co., Ltd.	243,718	281,524	15.5%
"Qingchunbao" Beauty Capsules	Chia Tai Qingchunbao Pharmaceutical Co., Ltd.	14,796	70,974	379.7%
"Dinglu" Xinhuang Tablets	Xiamen Traditional Chinese Medicine Co., Ltd.	53,813	64,679	20.2%
"Dengfeng" Herba Houttuyniae Injection	Chia Tai Qingchunbao Pharmaceutical Co., Ltd.	31,687	42,930	35.5%

Biomedicine

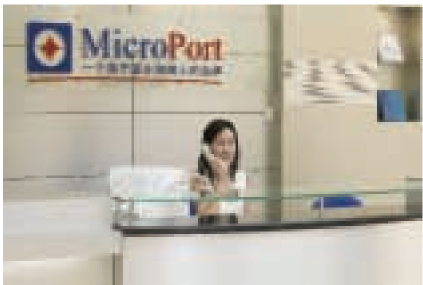
During the year, Shanghai Sunway Biotech Co., Ltd. ("Sunway Biotech") moved at full speed on its anti-tumour drug H101 project. Phase III clinical trials were completed and the application for the certification of the new drug is currently being processed. Preparations for the manufacture and sale of H101 are also underway. Sunway Biotech has also started Phase I clinical trials for H103 and preparations for trials of H102. The genetic product 'SunGran' achieved an historic high turnover with 115,000 tubes sold in 2003 across a sales network covering 17 provinces and cities, including more than 24 hospitals in the Shanghai region. Sunway Biotech invested RMB25 million in the year to upgrade its existing manufacturing facilities to meet the manufacturing needs of H101 and 'SunGran' by making use of existing resources. To facilitate the company's development, Sunway Biotech raised capital during the year, with Shanghai Alliance Investment Ltd. injecting US$10.80 million to acquire an 18.6% interest in Sunway Biotech. The agreement was approved by the relevant authorities in February 2004. By completion of the transaction, the Group will own an approximate 70.4% interest in Sunway Biotech.

Chemical Pharmaceuticals

Shanghai Sunve Pharmaceutical Co., Ltd. ("Sunve Pharmaceutical") is engaged in the manufacture and sale of raw pharmaceuticals. In 2003, it recorded a turnover of RMB389.91 million. Net profit amounted to approximately RMB62.73 million, a substantial increase over the previous year. During the year, 'Levofloxacin' and 'Wei Shaxin' Tablets were awarded Second Honour in Technology Advancement in Shanghai and were accredited as Shanghai Municipal Quality Brands. 'Wei Shaxin' Tablets and 'Sunvecon' Capsules were listed as Top Brands in Shanghai. Sunve Pharmaceutical is actively promoting the export of its raw pharmaceutical products. In 2003, export of raw pharmaceuticals accounted for approximately 42% of its turnover. Nine of its products have passed quality certification by the US Food and Drugs Administration (FDA) and are allowed to enter the US market.

Medical equipment

The sales growth of MicroPort Medical (Shanghai) Co. Ltd. ("MicroPort") suffered a slight setback as a result of the SARS outbreak. However, sales revenue for the year still stood at about 1.4 times over the previous year. Its key products – coronary stents, PTCA balloon catheters and abdomen aortic stents – were offered for use to more than 160 medical institutions. In the first quarter of 2004, MicroPort signed an agreement for the acquisition of a 40% interest in MicroPort by a renowned Japanese pharmaceutical company for US$18 million. This transaction will help the company further develop its overseas markets. On the other hand, Guangdong Biolight Medical Technology Co. Ltd. recorded total sales of RMB29.52 million, up approximately 94.3% compared to 2002, due to the increased demand for monitoring apparatus during the SARS outbreak. During the year, E-COM Technology Limited reached an agreement with a renowned medical image equipment company to cooperate in the manufacture of "DR" digitalized radiation system products for distribution to markets such as Europe and the Asia-Pacific region.



The medical industry in the PRC is currently undergoing a transition period. A series of measures such as the reform of the medical system and tendering and purchase of drugs will have significant impacts on the medical industry as a whole. The Group will seize opportunities in the development of pharmaceutical and medical services industry and further expand its investment and operation in the medicine and biotechnology businesses, with a view to increasing the contribution from the business to over 30% of the Group's profit in the next three years.

Business Review, Discussion and Analysis
– Consumer Products and Automobiles and Parts

Consumer Products and Automobiles and Parts

Consumer Products

The average income of people in China has been rising in recent years stimulating demand for all kinds of merchandise. The economy in Hong Kong also turned around in the latter half of 2003, with improved consumer sentiment benefiting the Group's consumer-related businesses in the Mainland and Hong Kong. Net profit from the consumer products business was approximately HK$404.46 million in 2003. After deducting the exceptional profit of HK$28.23 million generated from the disposal of Shanghai Orient Shopping Centre Ltd. ("Orient Shopping") during the year and the exceptional profit of HK$218 million from the listing of Bright Dairy and Food Co., Ltd. ("Bright Dairy") (formerly Shanghai Bright Dairy and Food Co. Ltd.) on the Shanghai Stock Exchange in the previous year, the consumer products business posted an actual growth in net profit of approximately 22.6% in 2003, constituting approximately 30.8% of the Group's net business profit*. If the above non-operating items are taken into account, net profit dropped by approximately 23.0% from the previous year.

Tobacco and printing

Nanyang Brothers Tobacco Company, Limited ("Nanyang Tobacco") had a successful year in 2003. Turnover for the year rose by approximately 42.9% from the previous year. Net profit amounted to approximately HK$192.40 million, up by some 60.3%. Sales of existing products in the Hong Kong market grew steadily, and the new brand "WINNER" cigarettes boosted sales further. The number of tourists from the Mainland increased significantly, pushing total sales in the market up by approximately 27.7% over last year. Export markets posted good performance, with total sales increased by approximately 47.5%. Brands sold in the Mainland market have already built a good reputation for their packaging and taste. Ultra Mild and Classic "Double Happiness" were successfully launched in 2003, driving the year's sales in the market up by some 25.5%. With the Closer Economic Partnership Arrangement (CEPA) zero tariff policy gradually being implemented, and given the size of its manufacturing plants and existing production capacity, Nanyang Tobacco will benefit by such a competitive advantage in the market and enjoy greater profitability.

Wing Fat Printing Company, Limited ("Wing Fat Printing") also had a solid performance in 2003, with a turnover for the year of approximately HK$378.04 million. This represented a rise of about 7.9% over the previous year and constituted a net profit of approximately HK$95.52 million, an increase of approximately 11.5%. Basic superstructure work for the new 27,000-square-metre factory in Dongguan was completed at the end of 2003. The new facility will begin operations by mid

2004. Printing joint ventures in China in which the company has interests grew rapidly, and contributed more than 50% of Wing Fat Printing's total profit.

Dairy

Bright Dairy is a leading nationwide dairy enterprise in China. By virtue of its quality brand and robust management, sales revenue and profit both attained double-digit growth for the eighth consecutive year. Sales in 2003 stood at around RMB5,968.27 million, increasing by approximately 20.3% from the previous year, and net profit rose by some 34.6%. Net profit attributable to the Group was approximately RMB92.31 million. About 72% of all dairy products are sold outside Shanghai, with its sales network covering the northern, central, northwest and southern parts of China. The company acquired Zhengzhou Bright Shanmeng Dairy Co. Ltd. at the end of 2003, further consolidating its nationwide development strategy.

Bright Dairy has further enhanced brand awareness and customer confidence by developing high value-added products, implementing regional differentiation and setting up a comprehensive distribution network and assessment system of service standards and customer satisfaction. To ensure a continuous supply of milk, Bright Dairy set up Shanghai Bright Holstein Co. Ltd. to co-ordinate milk sources and further provide dairy farming skills and management in China. Keenly

aware of consumer preferences, the company implemented a 'nutrition and health' theme and developed 107 new products in six categories and these new products made up some 20% of total sales. In 2004, Bright Dairy will boost its growth with profits and will also tailor-made development plans catering to market conditions in various locations, thus enhancing fast growth in all regions.

Personal care products

Shanghai Jahwa United Co., Ltd. ("Shanghai Jahwa") is involved in the personal care products business. Income from its principal business in 2003 was around RMB1,344.54 million, an increase of approximately 15.3% compared to the previous year. Profit was around RMB77.62 million, a rise of some 2.8%, with profit attributable to the Group amounting to approximately RMB14.41 million. Growth in the personal care product market in China narrowed in 2003, and the market met with keen competition. As a result, prices of these products have remained low. Shanghai Jahwa adopted a timely and focused marketing and sales strategy in the year, enabling it to stabilize sales of its key products. Sales revenue of the 'Liushen' and 'CHINFIÉ COCOOL' brands increased by approximately 5.7% and 3% respectively over last year; while sales of the 'Herborist' brand rose by more than 45%. During the SARS outbreak, Shanghai Jahwa also launched two new products – an antiseptic lotion and an air freshener.

Withdrawal from department retail business

During the year, the management followed through on its strategy of driving business transformation and further divesting from its non-core businesses. On 7 May 2003, the Group quit the department retail business and disposed of its 51% interest in Orient Shopping to the Chinese partner for a cash consideration of approximately RMB127.14 million, realising an exceptional profit of HK$28.23 million.

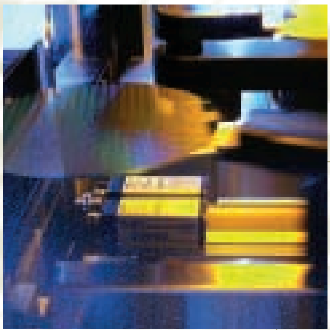
Automobiles and Parts

Driven by the continuous improvement in China's macro economic environment, the automobile industry, which is one of the country's economic pillars, was able to sustain a high growth rate. Sales of sedans rose substantially to hit a historical record, which in turn boosted the sales of parts and components. In 2003, the Group's automobiles and parts business recorded a net profit of approximately HK$142.97 million, an increase of about 34.3% over the previous year, representing approximately 10.9% of the Group's net business profit*.

Shanghai Huizhong Automotive Manufacturing Co., Ltd. ("Shanghai Huizhong") has five manufacturing plants and four joint-venture enterprises, and ranks 51st among the top 500 engineering enterprises in China. During the year, the Group engaged in the manufacture of both commercial vehicles and parts for passenger vehicles, enabling it to minimize the impact of external factors such as price cuts of automobiles. Sales for the year were approximately RMB5,962.12 million, up by about 44.6% from 2002. Net profit for the year was around RMB221.92 million, rising by about 42.1% over last year. Operating performance was satisfactory. To cope with the substantial increase in sales of parts to Shanghai Volkswagon and Shanghai General Motors, Shanghai Huizhong completed numerous trial productions of sedan chassis system accessories. Total sales exceeded 610,000 sets. Commercial vehicle projects also made good progress in the past year, with the manufacture and sale of heavy duty trucks breaking the 1,000-unit mark. Phase I of the construction work for the light passenger vehicle project was completed and trial productions started, while phase II of the construction work also began. The Ssangyong Motor Co. Ltd. MB100 production line that the Group acquired during the year launched vehicles with proprietary intellectual property rights, and Shanghai Huizhong's "ISTANA" was marketed in March 2004.

Shanghai SIIC Transportation Electric Co., Ltd. ("SIIC Transportation") maintained its upward trend and reported strong growth in both sales and profit. Turnover reached RMB490.16 million, rising by about 28.1% from last year, and net profit for the year was approximately RMB123.79 million, up by around 50.6%. The joint venture has been in business for 15 years and has become a dominant player in the industry offering 21 automobile electric and electronic accessories categories. Important initiatives in the year included forming a joint venture with the US company Lear Corporation (Mauritius) Limited, investing in wire harnesses, switches and junction boxes. SIIC Transportation has a 45% stake in the joint venture, which started business in October. In addition, SIIC Transportation reached a joint venture agreement at the end of 2003 with ArinMeritor, Inc., one of two skylight window suppliers to Volkswagen in Germany, to promote the skylight window project.

Business Review, Discussion and Analysis
– Information Technology



Information Technology

Semiconductor Manufacturing International Corporation ("SMIC") continues to grow rapidly, with continuous improvements in its production capacity and technological advancement on wafers. During the year, SMIC twice issued additional preference shares at a premium. As a result, the Group recorded an exceptional profit of approximately HK$239.15 million in 2003. Taking this into account, the Information Technology business posted a total net profit of approximately HK$337.23 million, representing approximately 25.7% of the Group's net business profit*.

SMIC is one of the world's leading semiconductor manufacturers, providing various advanced integrated wafer fabrication services to clients globally. SMIC was listed on 17 and 18 March 2004 in the United States and Hong Kong respectively and simultaneously. Of the 5,151,515,000 ordinary shares, which included 3,030,303,000 new shares, issued in the Global Offering at an issue price of HK$2.69 per share, approximately 20% were offered to the public in Hong Kong while the rest were placed internationally. Based on the five per cent of the shares initially allocated for placing in Hong Kong, the Hong Kong public offering was 272 times over-subscribed, and the international placing was also over-subscribed by 18 times. A total of HK$7.8 billion was raised from the new shares in the Global Offering. The proceeds are to be used for constructing and expanding production facilities in Beijing and for technological enhancement. They will also be used to upgrade the production capacities of the plants in Shanghai and Tianjin. Despite having its stake diluted to approximately 10%, the Group is still the single largest shareholder in SMIC and benefited from its listings at a premium. A remarkable exceptional profit will be accounted for in 2004.

In the second half of 2003, SMIC launched two private placements. On 22 September 2003, the Series C preference shares were placed to both existing and new shareholders, including US venture capital investors, raising a total of

HK$5 billion. The Group's shareholding was diluted from approximately 16.2% to approximately 13.6%. On 23 September 2003, SMIC and Motorola entered into a share subscription agreement: SMIC issued Series D preference shares in exchange for Motorola's 8-inch wafer foundry in Tianjin and became its strategic partner by providing the required production capacity and technical support. When all the Series D preference shares have been issued, of which an approximate 7,140,000 shares were issued by the end of 2003, the Group's stake in SMIC will be diluted to approximately 12% but it will remain as the single largest shareholder. The Group posted an exceptional profit of approximately HK$239.15 million in 2003 arising from these two placings.

At present, SMIC has production plants in Shanghai, Beijing and Tianjin. The 8-inch wafer foundry in Shanghai has been operating to full capacity, producing 49,000 wafers for wafer fabrication and 9,000 wafers for copper interconnects per month. Trial productions in one of the three newly constructed 12-inch wafer foundries in Beijing is scheduled to begin by the end of 2004 which will be the first production line of 12-inch wafers in the PRC. With the acquisition of the MOS17 production line in Tianjin, the company projects that by the end of 2005, its total production capacity will increase to 170,000 8-inch or equivalent wafers and 15,000 wafers for copper interconnects per month. Notwithstanding the relatively high fixed cost and depreciation cost for the purchase of equipment, the company has been reporting earnings since the fourth quarter of 2003. The sales volume for the year 2003 was approximately US$365.82 million. Net loss was approximately US$66.15 million and EBITDA was approximately US$163.57 million.

During the year, Shanghai Information Investment Inc. ("SII") set in motion its 'Yangtze Delta' development strategy, which saw the launch of its "Dongfang Cable" network brand in a cross-regional business drive. Net profit for 2003 was approximately RMB53.23 million, an increase of about 52.8% over the previous year, a result of marketing and sales efforts for major projects. During the year, the cable network

company heavily promoted its value-added broadband service. The number of "Cableplus" subscribers reached 138,000, while the number of digital television subscribers jumped to about 11,000. A total of 167 additional kilometres of information pipelines was built in the year, providing network access to 231 new buildings and boosting the sales of pipes and fibre-optics. In 2003, the credit information system had personal credit information of 3.7 million individuals in its databank. The system is gearing up to provide an on-line credit assessment and rating service. During the year, the comprehensive logistics information system of Shanghai ports made remarkable progress: the construction of a 1,100-square-metre central unit and related broadband network covering the ports and airport and the building of the customs transaction data platforms in collaboration with the Shanghai Customs Bureau to facilitate customs transactions services. Currently there are 30,000 subscribers to "easipass.com".

In 2003, Shanghai Optical Communications Development Co., Ltd. realigned the investment structure of its subsidiaries. It was confirmed to have US Corning Inc. take a stake in Shanghai Fiber Optics Co., Ltd. (previously Lucent Technologies Shanghai Fibre Optics Co., Ltd.). The liquidation of Lucent Technologies of Shanghai, Ltd.'s assets will be completed in 2004. Net profit for 2003 was approximately RMB8.08 million, a drop of some 14.4% from the previous year. Shanghai Communication Technology Centre's main businesses are MPEG products and digital image compression. It recorded a loss of approximately RMB2.95 million for 2003.

During the year, the Group readjusted its strategic investments while searching for new business opportunities. The Group acquired an approximate 3.2% stake in Clear Media Ltd. in 2001 through the Compass Venture Fund. Clear Media Ltd. was listed in Hong Kong at the end of the same year. The Group disposed of all its shares in the market in the latter half of 2003. The proceeds from the sale, together with the accumulated book profit during the investment period, amounted to approximately HK$19 million. The largest travel information website in China – Ctrip.com International Ltd. – was listed on NASDAQ on 9 December 2003. A total of 4.2 million ADRs were issued, representing some 28% of its total enlarged share capital, raising capital of about US$75.60 million. The Group had always been one of its major investors, holding approximately 6.4% of its share capital before listing. The Group disposed of 1.2% of its stake through the listing, realising approximately HK$19.63 million in cash, a return of 7 times of its investment cost. The Group now holds about 4.2% of the enlarged share capital of Ctrip.com International Ltd.