

Chairman's Statement

REVIEW

The turnover of the Group amounted to approximately HK\$15,470,000 for the year ended 31 December 2003, representing a slight decrease of approximately 1 per cent as compared with that in 2002.

The Group reported a net profit of approximately HK\$28,481,000 for the year under review as compared to that of HK\$2,786,000 in 2002. The significant increase was mainly attributable to gain on deemed disposal arising from the dilution of its interest in Shougang Concord Technology Holdings Limited ("Shougang Technology"), its associated company.

HONG KONG INVESTMENT PROPERTIES

Due to the outbreak of Severe Acute Respiratory Syndrome ("SARS") and the sluggishness of the property leasing market, the rental rate experienced a severe downward adjustment in the first half of 2003 and the tenancies of the Group's Hong Kong investment properties have been renewed at lower rates. Despite of that, the Group managed to maintain roughly the same rental income as that in 2002 due to an increase in the occupancy rates of its Hong Kong investment properties throughout the year 2003. Its average occupancy rate increased from 73% in 2002 to 84% in 2003, which results from the Group's continuous dedicated efforts. With a recovering economy and reviving property market, the rental market has shown signs of improvement in first quarter of 2004. The Group is optimistic about the contribution from its Hong Kong rental portfolio in 2004.

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

The Group beneficially owns a 44% interest in Beijing Dongzhimen which is principally engaged in the leasing of East Lake Villas Phases 1 and 2 (which comprise a variety of garden villas, high-rise apartments and office building, club house, shops, restaurants and numerous sports facilities).

2003 has been a challenging year for Beijing Dongzhimen. The outbreak of SARS in the second quarter together with the reduction in revenue resulting from the suspension of business of East Lake Villas Phase 1 for renovation had a severe impact on its performance in 2003. The renovation of East Lake Villas Phase 1 has been completed by the end of 2003 as scheduled. Further to completion of renovation, it is expected that its rental income will pick up gradually in 2004 and its competitiveness is expected to be enhanced.





China's accession into the WTO and Beijing's 2008 Olympic Games are expected to boost the demand for quality serviced apartments in Beijing. With its newly renovated East Lake Villas Phase 1, extended scale and competitive edges such as its convenient location in the embassy district, the traditional fine art style and architecture of Suzhou Garden, comprehensive and modern facilities, and advanced property management, the management believes that

Beijing Dongzhimen has a solid groundwork for its future growth.

Shougang Technology

Shougang Technology reported a net profit of approximately HK\$22,400,000 for the year under review, representing a decrease of approximately 15% from that of HK\$26,284,000 in 2002. The significant decrease in the Group's share of results of associates was mainly attributable to the dilution of its shareholding in Shougang Technology from approximately 46.30% at the start of the year to approximately 31.13% at the end of the year, as a result of the conversion of Shougang Technology's convertible bonds and the placing and subscription of Shougang Technology's shares during the year.



DISTRIBUTION

On 13 February 2004, the Board has approved a payment of a special dividend to be satisfied by the distribution in specie of the Group's entire shareholding of approximately 31.02% in Shougang Technology to the Company's shareholders whose names as recorded on the register of members of the Company on 4 March 2004 ("Distribution"). The Distribution has been completed on 23 March 2004.

The Distribution will enable the Group to focus on property investment and management and financial services businesses. In addition, the Distribution would provide the shareholders of the Company and investors with the opportunity to directly invest in the Group's core businesses, other than those of Shougang Technology. The Distribution represents an important step of the Group in reorganizing its businesses.

Chairman's Statement

OUTLOOK

The SARS outbreak during the second quarter drowned an already weak local economy and had a negative impact on almost all sectors. The economy stabilized and rebounded in the second half of the year, following the signing and gradual implementation of the Closer Economic Partnership Arrangement and the "individual visit" scheme for Mainland China visitors. The unemployment rate fell from a record high of 8.7% to 7.3% by year-end. Consumer sentiment brightened due to the improved employment situation and a rebound property market. For the fourth quarter of 2003, GDP rose by 5% in real terms over the same quarter in 2002, reversing the 0.5% decline in the second quarter. The Hong Kong economy has rebounded in the third quarter of 2003 and maintained its momentum since SARS. The property market has been reviving steadily.

In 2003, the GDP of Mainland China increased by 9.1%, a record-high figure since 1997. The Central Government predicted the GDP growth to be 7% in 2004. A promising future still lies ahead for Mainland China.

Further to completion of the Distribution, the group will broaden its asset and earnings bases by exploring appropriate business opportunities on Mainland China in 2004. With a recovering economy in Hong Kong and greater opportunities in Mainland China, we are confident of the prospects of the Group in the coming year.

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, 19 April 2004