

Managing Director's Statement

FINANCIAL REVIEW

Turnover for the period amounted to HK\$292.40 million (2003: HK\$127.80 million), representing an increase of 129% over that of last period.

The increase in turnover was principally attributable to the two new businesses namely sales of developed properties and commission income from the disposal of non-performing assets which has recorded a turnover of HK\$71.03 million and HK\$69.76 million respectively during the period. In addition, the turnover in respect of trading in securities has also increased HK\$16.88 million.

Sales of developed properties and commission income from disposal of non-performing assets has contributed HK\$9.30 million and HK\$69.76 million operating profits respectively to the Group.

Due to success in tighten cost control to reduce expenses, corporate administrative expenses have reduced by HK\$8.20 million, representing a decrease of 22%.

Regarding finance costs, the Group has principally repaid all its HK dollar denominated debts including bank loans and other loans since the second half of year 2003. In this regard, interest expenses for the period was reduced significantly by HK\$10.10 million, representing a decrease of 43%.

董事總經理報告

財務回顧

期內營業額達港幣292,400,000元(二零零三年：港幣127,800,000元)，比去年同期增加129%。

營業額的增長主要是受惠於期內兩項新開展之業務即發展物業銷售及處置不良資產佣金收益分別錄得港幣71,030,000元及港幣69,760,000元營業額所致。另外證券買賣之營業額亦上升了港幣16,880,000元。

銷售發展物業及處理不良資產佣金收益分別為本集團貢獻港幣9,300,000元及港幣69,760,000元經營盈利。

因成功加強成本控制以減少費用支出，行政管理費用得以減少港幣8,200,000元，減幅22%。

財務費用支出方面，自二零零三年下半年開始，本集團基本上還清所有以港元為單位的借款(包括銀行貸款及其他借款)，因此期內之利息支出顯著減少港幣10,100,000元，減幅43%。



FINANCIAL REVIEW *(continued)*

Share of results of associates for the period was mainly from CII Limited ("CII"). Comparing the two periods, profit contribution from associated companies decreased by HK\$10.36 million. The main reason was that there were no profit shared from Jiangxi Copper Company Limited ("JCCL") during the period. The Group has disposed of the entire interest in JCCL in the second half year of year 2003. JCCL has contributed HK\$17.13 million profit to the Group in the last period. The increase in profit contribution from CII of HK\$9.08 million has partly compensated the decrease in profit brought by JCCL.

The collective effect of the above factors caused net profit for the period to increase to HK\$122.91 million (2003: HK\$61.25 million), represented an increase of 101%. EPS has also recorded an increase of 73% to 8.1 Hong Kong cents. The percentage increment was a bit lower than that of net profit, which was due to the dilutive effect of new shares issued during the period.

BUSINESS REVIEW

The performance of the Group's principal core businesses during the period and the management strategies of those businesses are discussed in detail below.

PRC Property Investment

The Group's strategy is to achieve vertical integration to provide full-range property related businesses and services. These businesses and services include investment for rental purpose, property development, property sales, property management, property leasing, agency and consulting services.

財務回顧 (續)

期內攤佔聯營公司之盈利主要是來自中基投資有限公司(「中基」)。比較兩個期間，來自聯營公司的盈利貢獻減少了港幣10,360,000元。主要原因是期內並無攤分任何江西銅業股份有限公司(「江西銅業」)業績所致。本集團已於二零零三年下半年出售江西銅業全部權益；江西銅業上年同期之盈利貢獻為港幣17,130,000元。中基的盈利貢獻上升港幣9,080,000元並部分抵銷了由江西銅業引致的盈利下降。

上述因素的綜合影響引致期內盈利淨額增加至港幣122,910,000元(二零零三年：港幣61,250,000元)，增幅101%。每股盈利亦錄得73%增幅至8.1港仙。百分比增幅稍低於盈利淨額之增幅，原因是期內增發新股產生的攤薄效應所致。

業務回顧

本集團各項主要核心業務於期內的經營表現及管理策略之詳細討論如下。

中國房地產投資

本集團之策略是以垂直整合方式提供全面的房地產相關業務及服務。此等業務及服務包括投資作收租用途、房地產發展、物業銷售、物業管理、物業租賃、地產代理及顧問服務。

Managing Director's Statement

BUSINESS REVIEW *(continued)*

PRC Property Investment *(continued)*

The Group carries out and operates its PRC property investment businesses by establishing project companies such as Beijing East Gate Development Co., Ltd. ("East Gate Development"), Beijing Yinda Property Management Limited. ("Yinda"), Shenyang East Gate Development Co., Ltd. ("Shenyang East Gate"), Beijing East Gate Wangjing Real Estate Co., Ltd. and Beijing East Bay Investment Consultants Ltd.

During the period under review, gross rental income from East Gate Plaza of East Gate Development was maintained at a relatively stable level of HK\$39.90 million (2003: HK\$40.77 million) generating an after tax contribution of HK\$27.80 million (2003: HK\$19.70 million) to the Group. Improvement in the after tax contribution of East Gate Development was a result of cost control by way of significantly reducing corporate and administration expenses. The Group maintains the growth strategy of delivering high standard management services and to provide a secured and hygiene living environment to attract quality tenants.

董事總經理 報告

業務回顧 (續)

中國房地產投資 (續)

本集團通過成立項目公司如北京東環置業有限公司(「東環置業」)、北京銀達物業管理有限公司(「銀達」)、沈陽東環置業有限公司(「沈陽東環」)、北京望京房地產有限公司及北京東灣投資顧問有限公司等進行中國房地產投資及經營該等業務。

於回顧期內東環置業名下的東環廣場之毛租金收入維持於相對穩定水平的港幣39,900,000元(二零零三年:港幣40,770,000元)並為本集團貢獻稅後盈利港幣27,800,000元(二零零三年:港幣19,700,000元)。東環置業之稅後盈利獲得改善是受到加強成本控制而達致顯著降低管理及行政費用所致。本集團維持一貫的發展策略即通過提供高規格的管理服務及提供一個安全及衛生的居住環境以吸引優質租戶。



BUSINESS REVIEW (continued)

PRC Property Investment (continued)

The Group has invested in a property development project in the Tiexi District of Shenyang by the end of year 2003 targeting at the middle income customers. The first phase of the development project is named East Gate Time Garden, which comprises 16 blocks of nine-floor height garden flats. During the period, East Gate Time Garden started pre-sale and recorded approximately HK\$9.30 million profit from sale of developed units. The Directors expect that all the remaining units of East Gate Time Garden can be sold in the second half-year of 2004 and further increase the profit contribution from sales of developed properties. The construction works of the second phase of the project has commenced. The project was named East Gate Metro Garden and will comprise 13 blocks of residential units and 2 blocks of commercial and office units. The Directors expect that East Gate Metro Garden will be available for pre-sale in the second quarter of year 2005.

Currently the property complexes under the management of Yinda are over 21 projects. In term of area, Yinda managed over 1.7 million square meters floor area. During the period, Yinda recorded a turnover of approximately HK\$ 37.92 million with gross profit of approximately HK\$12.84 million and net profit after tax of approximately HK\$3.2 million. The gross profit ratio and net profit ratio are approximately 34% and 8% respectively.

The Wangjing redevelopment project and the "Siheyuan" project are on schedule and in good progress. The businesses in the other sectors are also progressing smoothly.

業務回顧 (續)

中國房地產投資 (續)

本集團二零零三年底於沈陽市鐵西區投資一項房地產發展項目，以中等收入客戶群為目標。項目的第一期名為東環時代花園，由十六棟、最高九層的花園洋房構成。期內，東環時代花園已經展開預售並實現約港幣9,300,000元發展物業銷售利潤。董事預期於二零零四年下半年可完成出售所有東環時代花園單位並進一步提高房地產發展的銷售利潤。項目的第二期的建築工程亦已展開並定名為東環國際花園，將由十三棟住宅及兩棟商業及辦公樓構成。董事預期東環國際花園可望於二零零五年的第二季度開始預售。

目前經由銀達管理的物業群逾21項，以面積計，銀達所管理的樓面面積逾170萬平方米。期內銀達的營業額為港幣37,921,000元並錄得毛利約為港幣12,841,000元及稅後盈利淨額約為港幣3,200,000元。毛利率及淨利率分別約為34%及8%。

望京項目及「四合院」項目按計劃進行，進展良好。此外其餘各範疇的業務亦發展順利。

Managing Director's Statement

董事總經理報告

BUSINESS REVIEW (continued)

業務回顧 (續)

Infrastructure Investment

基建投資

During the period, CII contributed HK\$45.30 million (2003: HK\$36.22 million) profit to the Group, representing an increase of 25%. The strategy of CII for the time being is still aimed principally at reshuffling the project portfolio to increase the magnitude and quality of returns.

期內中基為本集團貢獻純利港幣45,303,000元(二零零三年:港幣36,220,000元),增長達25%。中基目前的主要策略仍然以通過調整項目組合以達到提高盈利的質與量為主。

At the balance sheet date, CII has interests in the following infra-structure projects:

於結算日,中基於下述基礎建設項目持有權益:

Project names	項目名稱	Effective Interest of CII 中基的實益權益 %	Net Asset value 資產淨值 HK\$m 百萬港元
Luohe Shahe Bridge	漯河沙河大橋	70%	51.8
Wangdian Bridge	王店立交橋	70%	113.8
Jiangxi #320 State-road	江西320國道	80%	246.2
Wuhan Baishazhou Bridge	武漢白沙州大橋	50%	454.6
Henan Zhoukou #311 State-road	河南周口311國道	80%	102.0
Taian Nature Gas Pipeline	泰安天然氣管道	80%	85.2
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During the period, CII entered into an agreement to dispose of the entire interest in the Zhaoqing Bridge and recorded a reasonable profit.

期內中基已簽訂合約出售肇慶西江大橋項目全部權益並獲得合理利潤。

Currently, CII is negotiating with the Wuhan Municipal Government for the disposal of the Wuhan Baishazhou Bridge. The Directors expect that both parties will reach an agreement by the end of year 2004. At the same time, CII is considering a proposal to invest in an oil ferry and storage project.

目前,中基正與武漢市政府磋商出售武漢白沙州大橋項目;董事預期雙方最快可於二零零四年底達成協議。同時,中基正考慮一項石油碼頭及倉儲項目的投資建議。



BUSINESS REVIEW *(continued)*

Financial Investment

Non-Performing Assets Disposal

The prominent recovery in the consumer and property markets in Macau during the period has created a good fundamental environment for the Group's non-performing assets disposal business and enabled the non-performing assets disposal activities to be carried efficiently in large scale. Up to the balance sheet date, the Group has concluded disposal contracts with contract amount in excess of HK\$480.00 million in aggregate. More than 50% of the book value of the Macau Assets has been disposed of. According to the terms of the Asset Disposal Contract, the Group is entitled to receive the 3.5% commission on the disposal of the Macau Assets amounting to HK\$69.76 million in aggregate. The commission has been received in cash during the period.

In light of the fact that the Macau economy keeps growing, the Directors believe that the remaining Macau Assets can be disposed of at better terms and the Group may receive significant performance bonus as reward.

業務回顧 (續)

金融投資

不良資產處置

澳門的消費及房地產市場於期內顯著復甦，為本集團處理澳門不良資產提供良好的基礎環境並促使澳門的不良資產處置行動能以大規模及較快的速度進行。截至結算日，本集團就處置澳門資產已簽訂合約金額超過港幣480,000,000元的合約。完成處置逾50%賬面值的澳門資產。根據處置資產合同協定，本公司有權收取處置澳門資產的3.5%佣金，總金額約港幣69,760,000元。該筆佣金已於期內以現金方式入賬收妥。

鑒於澳門經濟持續向好，董事相信餘下的澳門資產將可以理想條款處置售出，本集團亦將可收取可觀的超額分成作為獎勵。

Managing Director's Statement

PROSPECTS AND STRATEGIES

Preliminary economic statistics has indicated that Hong Kong has stepped out from the six-year long era of deflation. The economy is expected to resume a positive growth. Regarding the second tide of macro economic controls imposed recently in China, the Directors believe that the controls will achieve their purpose of cooling down the overheated economic expansion, and thus avoid the adverse result of a hard landing in the China's economy. The trend of movements in both the Hong Kong and China markets has positive and good impacts to the Group's development.

Strategically the Group wishes to utilize the advantages of China Cinda having around RMB1,000 billion worth non-performing assets and a decade of solid and successful experience in direct investments and capital market operations of the Group to formulate a new method of non-performing assets disposal and to participate more vigorously in non-performing assets disposal businesses. The successful experience in the disposal of the Macau Assets has strengthened the Directors' confidence in expanding further in non-performing assets disposal businesses.

The Directors believe that the non-performing assets disposal businesses will bring in great returns to shareholders of the Company. The Directors expect to continue with such non-performing assets disposal business and intend to finalize certain of these non-performing assets disposal projects in the near future.

董事總經理報告

展望與策略

初步的經濟數據顯示，香港已踏出六年多的通縮時期，經濟可望恢復正增長。至於中國近期實行的第二波宏觀調控措施，董事相信有關措施可達到冷卻過熱的經濟擴張活動之預期目標，避免中國經濟出現硬著陸的不良後果。香港及中國兩個市場的發展趨勢，對本集團業務的影響均為正面向好的。

策略上，本集團希望能利用中國信達擁有近萬億人民幣不良資產及本公司過往十年於直接投資及資本運作中實際及成功的經驗等優勢，從而開創不良資產處理新途徑並更廣泛參與不良資產處置業務。處置澳門資產的成功經驗，加強了董事進一步擴張不良資產處置業務的信心。

董事有信心，不良資產處置業務將能為本公司之股東締造更大回報。董事們預期會繼續這不良資產處置業務並計劃在不久將來會落實某些不良資產處置項目。



INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

By order of the Board
Gao Jian Min
Managing Director

Hong Kong, 17 September 2004

中期股息

董事會不擬建議派發任何截至二零零四年六月三十日止六個月期間之中期股息(二零零三年：無)。

承董事會命
高建民
董事總經理

香港，二零零四年九月十七日