

Chairman's Statement

RESULTS

In view of intensified market competition, the Group devoted great efforts to explore the potential of its core businesses during 2002 to keep enhancing the value of its products. For the year ended 31 December 2002, the Group recorded a consolidated profit of HK\$280.7 million, 20.5% down from the previous year. Earnings per share amounted to HK11.94 cents.

Disregarding the non-recurring income in 2001, earnings of the Group for the year under review still recorded a growth of 7.7% over that of 2001.

BUSINESS REVIEW

Property Operations Showed Stable Profitability During the year, the property operations of the Group achieved a turnover of HK\$580.6 million. Notwithstanding the drop in turnover from the previous year, this business segment still managed to achieve an operating profit of HK\$68.9 million comparable to the previous year, illustrating its stable profitability. A total floor area including associates of 390,000 square meters were sold, of which 197,000 square meters were attributable to the Group. Investment property saw a steady growth in revenue with more than 600,000 square meters rented out for the year, representing an occupancy rate of 85%. Gross floor area of the land bank amounted to more than 2.5 million square meters, of which 1.6 million were attributable to the Group.

Logistics Operations Ready to Go The Group injected Shum Yip Transportation Co., Ltd. into its logistics arm Shum Yip Logistics Group Holdings Co., Ltd. to optimize resource allocation and provide support for the post-listing development of its logistics operations.

Energy Infrastructure Achieved Profit Growth With its upgraded power-generating units, Shenzhen Mawan Power, an invested entity of the Group, saw a 29% increase in its output electricity. Notwithstanding the adverse effect from the downward price adjustment for policy reasons, this business segment still managed to achieve profit growth. Net profit contribution for the year amounted to HK\$111.2 million.

Transportation Operations Expanded into New Markets The Group's Shengkong Industrial (Group) Co., Ltd. leveraged on its brand name competence in providing transportation services to win a successful bid for the operation franchise in respect of three province-wide public transport routes running between Guangzhou and Foshan.

Information Technology Operations Drew More Customers Shenzhen Topway Video Communication Co., Ltd., in which the Group held a stake, recorded stable growth in its cable television business. Customer base was expanded with 86,800 new accounts. Net profit contribution amounted to HK\$13.7 million.



Mr. SONG Zhiwang, Chairman

Redemption of Convertible Bonds on Schedule During the year, the Group redeemed its US\$230 million convertible bonds on schedule, bringing substantial savings in interest for the Group's financial costs.

In addition, the Company contracted with various Hong Kong banks a low-interest syndicated loan of US\$175 million. Also, the Company had effected the share subdivision scheme of nominal value of HK\$0.05 each. Both the Company's cashflow as well as the liquidity of the Company's shares were enhanced.

PROSPECTS

The worldwide industry structure adjustment and economic transformation has brought about opportunities and favorable conditions for the sustained development of the PRC economy. Implementation of the 24-hour border crossing policy between Shenzhen and Hong Kong has created further development opportunities for the Group. The Group will keep abreast of market changes to realign and expand its core businesses in a timely manner.

The brand name competence of the real-estate companies and property management enterprises within the Group was reinforced during the year to enhance the Group's competitiveness in the industry. A number of residential and commercial projects were launched for sale, including Azure Mangrove Garden, Green Legend, Wonder Peak Court, Pengxing Garden Phase VI, Fairy Spring Mountain Villa and Cloudy Pine Building. In the meantime, B&Q, a world-renowned construction materials chain store, was introduced to Tairan Golden Valley. It was intended to create better commercial atmosphere in the neighborhood for an enhancement in its value for investment.

The Group's proposed plan for the construction of a large-scale logistics park in the urban area of Shenzhen has received approval from the Shenzhen Government. "Shum Yip Logistics Plaza", one of the planned constructions, has been designated as a key project of Shenzhen for the year 2003. A multi-functional, one-stop modern logistics centre will be built, encompassing high-end professional markets including household, cars and warehouse department stores. Logistics business apartments and logistics intelligent buildings will also be built as ancillary constructions. Upon completion, the whole establishment will become a logistics landmark architecture of Shenzhen. In addition, the Group will actively introduce world-renowned logistics enterprises for cooperative development.

Efforts will be made to seek for more spin-offs of the group companies to explore channels of financing and capital utilization. The Group will also actively participate in the construction of infrastructure and public utilities in an attempt to enrich its investment portfolio, which may covers projects of water, electricity and gas supply and road construction. Timely action will be taken to adjust and optimize the industry structure of the Group.

The management will adhere to the principle of adopting a pragmatic, efficient, proactive and steady approach in its operation and strive to sustain the healthy development of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their firm support, to the public for their earnest help, and to our staff for their loyalty and diligence.

Song Zhiwang

Chairman

Hong Kong, 23 April 2003