

Chairman's Statement

In 2002, the Group set a clearer picture for its development and identified property development and investment as well as thermal power generation as its core businesses. In addition to gradual adjustment and refinement on assets structure, the Group also strengthened its operation management. During the year the asset restructuring exercise of the Group saw substantial progress. The Group started to reap the benefits of its dedicated efforts on its core businesses development. For the year under review, the turnover reached HK\$441,051,000, representing a growth of 29% as compared to the previous year, whilst the net asset value per share as at the year end date recorded HK\$2.77, representing an increase of 1.4% as compared to last year.



Mr. WANG Jun
Chairman

Grasping opportunities to explore PRC businesses

PRC segments have taken up an increasing percentage of the Group's business. Turnover of the PRC segments grew from 59% to 72%, illustrating that the Group has fully capitalized on the general trend of the PRC economy boom by participating in the fast flourishing economic construction activities to enhance its own strength and has achieved notable results.

Active and prudent acquisition of new projects to strengthen core business assets



Mr. HE Ping
Vice-Chairman

The core business of the Group is property investment and development which accounts for 58% of its overall businesses. The Group possesses important landmark constructions in Beijing and Shanghai such as Poly Plaza and Shanghai Stock Exchange Building, which symbolize its leading positions in centers of the thriving PRC's property market. To expand the assets scale of its core business, the Group actively sought for suitable property projects in key cities and strengthened the portfolio and management of its property assets. The Group's acquisition of 40% equity interest in Shanghai Puly Real Estate Development Company Limited at a discount of 25% resulted in a more-than-double area ownership of the Group in Shanghai Stock Exchange Building and substantial rise in the rental income derived from rental property.

The second major business of the Group is the operation of thermal power cogeneration projects, which accounts for 15% of its overall business. Taking advantage of the concept of environmental power, thermal power plants enjoyed price and quantity guarantee in respect of their on-grid electricity output amid the electricity system reform and provided stable and reasonable investor returns. Having conducted a rigorous field study, the Group acquired 49% equity interests in each of Peixian Mine-Site Environment Cogen-power Co., Ltd and Dongtai Suzhong Environment Protection Cogeneration Company Limited in Yantze River Delta towards the end of last year to join its existing power plants in the area,

Taicang Thermal Power Plant and Shengzhou Thermal Power Plant, in the construction of its thermal power segment for a synergetic effect. It will represent an approximately one-fold increase in both the scale of and income generated from the overall thermal power operations.

Enhancement of assets structure and timely disposal of under-performing assets

In view of the gloomy and turbulent performance of the Hong Kong stock market, the Group took a timely opportunity to dispose of its entire equity interests in Poly Investments Holdings Limited ("Poly"). As a result of the disposal of Poly, asset portfolio was enhanced, synergetic effect among the Group's businesses was strengthened and operating loss was reduced. Cash flow of the Group increased significantly as a result of the disposal, yet amortization was also provided for in respect of the book value of goodwill.

Taking opportunities to boost growth

While the Hong Kong economy was considerably affected by the continuous economic fluctuation around the world, the economy of the PRC has been showing a rosy picture of sustained, rapid and stable developments. The enormous population business opportunities together with an economic growth of over 7% a year, will boost market demand for property and power infrastructure and bring infinite growth potential to the Group. The Group will take full advantage of the resources and brand name of China Poly Group Corporation, its major shareholder, in the PRC to actively explore the PRC market. The Group will also continue to further realign its asset structure and business portfolio, strengthen, expand and enhance its property assets and power assets with the goal of bringing respectable returns to shareholders. We have utter confidence in the prospects of China, Hong Kong and the Group.

Lastly, on behalf of the Board, we would like to express our gratitude for the full support of our shareholders, and the dedication and hard work of our staff.