

In the past two years, the Group has been devoted to reorganize and optimize its assets structure and such efforts helped to reaffirm the Group's development strategy, with a particular emphasis on real estate investment and property rental market. In 2003, the Group overcame the adverse effects of SARS, captured the business opportunities for projects with strong cash inflow and attained remarkable results in operating efficiency. The Group resumed to profitability with the turnover reached HK\$473,590,000 for the year, representing an increase of 7.4% as compared to the previous year. The net profit reached HK\$71,247,000 and the earnings per share of HK8.82 cents, attaining the best level as compared to past few years.

STRONG FOUNDATION FOR ITS CORE BUSINESS OF PROPERTY DEVELOPMENT AND DETERMINED DIRECTION FOR ITS FOCUSED PROPERTY INVESTMENT



Mr. WANG Jun
Chairman

The property investment accounts for 58% of the Group's total assets. The Group possesses important landmark constructions in key cities, namely Shanghai Stock Exchange Building in Shanghai, Poly Plaza in Beijing and the office building project at Beijing Jinrong Street. These projects are not affected by the overheated development of property market in certain areas. The average occupancy rate of floors of Shanghai Stock Exchange Building held by the Group reached 82% and the average daily rental rate of the units let or renewed during the year was approximately US\$0.5 per square meter bringing a profit of HK\$31,000,000 to the Group. During the SARS outbreak, the renovation works for the



Mr. HE Ping
Vice-Chairman

hotel rooms and exterior wall of Poly Plaza were carried out and completed before the peak season of the Beijing tourism industry. The average occupancy rate and hotel rates of the hotel tower were higher than the similar ranking hotels in Beijing after the renovation. To further expand the asset scale of its core business, the Group actively identified new development projects in key cities. In June 2003, the Group made a investment contribution to the office building project which was under construction at Beijing Jinrong Street. In December 2003, the Group disposed the entire project at a consideration of RMB2 billion and it is expected that a cash return of RMB100 million can be achieved by the end of 2005. In December 2003, the Group acquired 51% equity interests in a development project of a five-star ranking hotel in Tian He District, Guangzhou, which is expected to commence operation in 2006 and such an initiative will further strengthen the Group's core business of property development.

STRENGTHEN THE CASH FLOW MANAGEMENT TO ENSURE THE OPERATING EFFICIENCY

To ensure a healthy re-generation of cash flow, the Group effectively re-consolidated its investment on co-generation projects in 2003. With a view to concentrating its resources and the management for co-generations in Jiangsu Province, the Group disposed its equity interests in Shengzhou Co-generation in Zhejiang Province in late 2003 and a gain of approximately HK\$21,000,000 was realized. Given the persistent rapid economic growth in the PRC, a strong demand of power and gas was generated and the overall sales volume of power and gas of co-generation projects the Group acquired



CHAIRMAN'S STATEMENT

increased approximately 1.42 times and 1.21 times respectively as compared to the previous year. Taking into account the profit of the two co-generations located in Jiangsu acquired in January 2003, the profit generated from the co-generation projects of the Group reached HK\$26,000,000, and together with gain on the disposal of Shengzhen Co-generation, such business segment has become a major cash flow generators for the year. At the same time, with the recovery of the shipping market in 2003, there was a substantial raise in the charterhire rates of bulk carriers, and hence an income of HK\$59,155,000 was generated and a profit of HK\$17,552,000 was generated. In addition, substantial charter contract for the whole year was finalized by January of 2004.

A DIVIDEND DISTRIBUTION STRATEGY THAT BALANCES THE REQUIREMENTS FOR LONG-TERM DEVELOPMENT AND SHORT-TERM BENEFITS AND THAT REWARDS THE SUPPORTS OF SHAREHOLDERS

With the adverse impact of the financial turmoil in Asia and the Group's efforts in consolidating and optimizing assets restructure, the Group has not declared any dividend in prior years. In 2003, given a significant growth of operating profits achieved, and a strong cash basis maintained by the Group, the Group decided to resume the distribution of dividend for the current financial year. The dividend distribution strategy adhered by the Group is to adopt a moderate dividend rate on the conditions of maintaining the stable operation of the Group while achieving a balance in the long-term development and short-term benefits. However, for rewarding the long-term support of shareholders, the Group adopted a special dividend distribution strategy this year and a higher dividend rate is allowed. As a result, the directors recommend the payment of a final dividend of HK\$0.06 per share (equivalent to a dividend payout ratio of 77%) for 2003 to the shareholders whose name appear on the register of members of the Company on 28th May 2004. Subject to the approval of the shareholders at the annual general meeting, the final dividend will be paid on 3rd June 2004.

CAPITALIZE ON THE BUSINESS OPPORTUNITY TO ACCELERATE GROWTH AND SCALE THE NEW HEIGHT

It is expected that the PRC's economy will maintain its rapid growth, and coupled with its enormous population, tremendous demand for property, power and gas will be generated. On the basis of the extensive consolidation and optimization of asset structure implemented over the past few years, the Group attained a significant growth for the results of 2003. Taking the full advantage of the resources and brand name of China Poly Group Corporation, its substantial shareholder, and capitalizing on the tremendous business opportunities to be brought forth by the 2008 Beijing Olympic Game and 2010 World Expo in Shanghai, the Group will step up its measures on enlarging the scale of property development and optimizing its asset structures while adopting persistent, active and yet prudent approach in developing new projects and managing the projects under development stringently for generating a higher return for shareholders.

Lastly, on behalf of the Board, we would like to express our deepest gratitude to our shareholders for their continual support and to our staff members for their dedication and efforts.