

For the year ended 31st December 2003, the Company and its subsidiaries (collectively the "Group") recorded a turnover of HK\$473,590,000, representing an increase of HK\$32,539,000 or approximately 7.4% as compared with the turnover of HK\$441,051,000 of the year 2002. The increase in turnover was mainly attributable to the full year contribution from the cogeneration projects for the year 2003 amounted to HK\$190,258,000, representing an increase of HK\$42,418,000 as compared with that of HK\$147,840,000 last year.

In 2003, the Group has resumed to profitability with a profit of HK\$71,247,000 and earnings per share of HK8.82 cents. It was mainly attributable to the contribution of approximately HK\$26,000,000 operating profit generated from the cogeneration projects during the year, the gain of approximately HK\$21,000,000 generated from the disposal of Shengzhou Power Plant, the profit of approximately HK\$31,000,000 generated from the operation of Shanghai Stock Exchange Building and the profit of approximately HK\$17,000,000 generated from shipping business.

REVIEW OF CORE BUSINESSES

Principal Business Activities

1. January 2003: Completed the acquisition of the 49% equity interests in two cogeneration power plants, namely Peixian Plant and Dongtai Plant in Jiangsu Province respectively.
2. June 2003: Completed the acquisition of the 49% equity interests in Tong Sun Limited. The sole asset of Tong Sun Limited is its co-operative joint venture interests in a Grade A office building development project located at Jinrong Street, Xi Cheng District, Beijing, with a floor area of 128,800 sq.m..
3. December 2003: Confirmed the acquisition of the 51% equity interests in a development project of a five-star ranking hotel with a floor area of approximately 60,000 sq.m. located in Tian He District, Guangzhou.
4. December 2003: Completed the disposal of the 52% equity interests in Shengzhou Power Plant in Zhejiang Province at a premium.
5. December 2003: Confirmed the disposal of the whole Grade A office building located at Jinrong Street, Beijing and is expected that the office building will be completed and delivered to the purchaser by the end of 2005.
6. January 2004: Agreements were reached on the acquisitions of 36.75% equity interests of Xuzhou Western Co-generation and 29.4% equity interests of Funing Co-generation located in Jiangsu Province.
7. February 2004: Completed the top-up placing of 100,000,000 shares and raised HK\$166,000,000 for the Company.

REVIEW OF CORE BUSINESSES *(continued)*

Property Investment and Development

The overall property market of the People's Republic of China (the "PRC") underwent rapid development. Despite the indication that some of the markets were overheated, those in major cities were still considered under normal development. The Group's property projects were mainly located in key cities such as Beijing, Shanghai and Guangzhou, laying a sound foundation for the Group to capitalize on the tremendous business opportunities to be brought forth by the 2008 Beijing Olympic Game and 2010 World Expo in Shanghai.

Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is the trading center for the PRC stock market and the place where the Shanghai Stock Exchange is located. As a landmark construction, it has enormous market influence and a substantial inherent appreciation potential.

As at the end of 2003, rental income generated from the six floors of Shanghai Stock Exchange Building held directly by the Group was US\$1,770,000, representing an increase of US\$300,000 as compared to 2002. The occupancy rate of 2003 reached 82%, representing a rise of 8% as compared to 2002, while the average daily rental rate reached US\$0.42, representing an increase of 11% as compared to 2002. The Group also holds 40% equity interests in Shanghai Puly Real Estate Development Company Limited ("Shanghai Puly"). Shanghai Puly holds a floor area of 34,206 sq.m in Shanghai Stock Exchange Building. In 2003, the occupancy rate for Shanghai Puly was 74% and the average daily rental rate was US\$0.55. Shanghai Puly sold a floor area of 1,223 sq. m. at a price of US\$2,880 per sq.m. The total contribution from Shanghai Stock Exchange Building was amounted to HK\$31,000,000.

Poly Plaza

The Group owns 75% equity interests in Poly Plaza in Beijing, which is a comprehensive multi-functional complex comprising a Grade A office tower, a four-star ranking hotel tower, a theatre and other ancillary facilities. It enjoys excellent reputation in Beijing.

The renovation works for the exterior wall and hotel rooms of Poly Plaza were carried out during the outbreak of SARS in 2003 and completed before the peak season of the Beijing tourism industry. The turnover of Poly Plaza in 2003 reached RMB73,541,000 and a gross profit of RMB18,038,000 was realized. The average occupancy rate for the office building reached 91%. The occupancy rate for the hotel tower was 75% and the hotel rates were US\$59 per room each day after the renovation, which were 2% and 13% higher than the similar ranking hotels in Beijing.

REVIEW OF CORE BUSINESSES *(continued)*
Jinrong Street office building project

In June 2003, the Group completed the acquisition of 49% equity interests in Tong Sun Limited. Pursuant to the agreements, the Group has provided loans and capital amounted to HK\$197,000,000. The sole asset of Tong Sun Limited is its co-operative joint venture interests in a Grade A office building development project located at Jinrong Street, Xi Cheng District, Beijing, with a floor area of approximately 128,800 sq.m. In December 2003, Tong Sun Limited successfully disposed the whole office building to a sole purchaser at a total consideration of approximately RMB2 billion. It is expected that the office building will be completed and delivered to the purchaser by the end of 2005. It is also expected that the Group can fully recover the shareholders' loan and receive the dividend of preference shares amounting to HK\$297,000,000 in total after the completion of the disposal.

Guangzhou hotel project

In December 2003, the Group confirmed to acquire 51% equity interests in a development project of a five-star ranking hotel with a floor area of approximately 60,000 sq.m. located in Tian He District, Guangzhou. The Group is currently planning the details and related arrangements for that hotel development project, which is expected to commence operation in 2006.

Beijing Legend Garden Villas

In 2003, the Group gradually disposed 14 houses of Legend Garden Villas at reasonable market prices and realized approximately HK\$35,000,000. The Group still holds 6 houses and 37 apartments and will continue its efforts in selling the remaining units of the villas.

Cogeneration Operations

In January 2003, the Group acquired the 49% equity interests in each of the two cogenerations, namely Peixian Plant and Dongtai Plant in Jiangsu Province at the prices of HK\$77,400,000 and HK\$50,600,000 respectively. The net profits of the two cogenerations for 2003 were RMB23,474,000 and RMB13,762,000 respectively.

The expansion project of No. 3 power generator of Taicang Co-generation in Jiangsu Province, in which the Group holds 51% equity interests, was completed and the power generation capacity of which was increased by 50% to 45 megawatt. The power and gas sold for the year increased by 52% and 40% respectively, realizing a profit after tax of RMB26,014,000.

In line with the Group's strategic development, the Group disposed Shengzhou Power Plant in Zhejiang Province for a profit of HK\$21,000,000. On the other hand, the Group, after detailed evaluation, acquired two other cogenerations in Jiangsu Province, namely Xuzhou Western Co-generation (36.75%) and Funing Co-generation (29.4%) and the terms of which were similar to that of the acquisition of Peixian Plant and Dongtai Plant. It is expected that these acquisitions will bring an increase on the cash inflow of the Group.

REVIEW OF OTHER BUSINESSES

Shipping

With a complete rebound of shipping industry, the freight charges and the charterhire rates were gradually increased commencing from early this year. Various statistical data also scaled a historic height by the end of the year. It is mainly driven by the excess demand generated from the global economic recovery and the strong growth in the export trade of the PRC and the limited tonnage capacity caused by the limited supply of new bulk carriers.

The industry adopts an optimistic approach to the shipping market and expects that the momentum will continue to 2006. The rental income from the two carriers owned by the Group is expected to rise significantly in 2004. The daily charterhire rate for carrier "Hai Kang" increased from US\$14,500 to US\$35,000 commencing from March 2004 onwards for one year while the agreement of a daily charterhire rate of US\$20,500 for another carrier "Hai Ji" will be expired in late October 2004. It is expected that the charterhire rate will be increased upon the renewal of contract.

Cultural Media and New High Technology

Cultural media and new high technology were the business sections explored by the Group in seeking new points of growth. It demonstrates the Group's continued effort in securing the sustainable growth.

Polystar Digidisc Co. Ltd. ("Polystar")

The Group owns 66% equity interests in Polystar. In 2003, Polystar recorded a turnover of RMB53,000,000 and a profit of RMB10,270,000. The actual output for the year of CDs and DVDs reached 30,160,000 pieces and 11,790,000 pieces, representing an increase of 4.4% and 40.86% as compared with 2002 respectively. In 2003, the expansion projects amounted to RMB80,000,000 for the four disc duplication lines and one master disc production line, were completed and production has been commenced. At present, the annual disc production capacity of Polystar reached 80,000,000 pieces. It is expected that the operating efficiency will be further enhanced in 2004.

The Operation of New Satellite TV Cartoon Channel ("Cartoon Channel")

Cartoon Channel is a strategic move of the Group in exploring the cultural media industries in the PRC. The Cartoon Channel has a six-hour period of first-time broadcast and the remaining eighteen-hour of rotational broadcast on a daily basis. Contents of programs have been initially approved by the PRC administration of Radio Film and Television, laying a solid foundation for obtaining approval of the right to broadcast programs into authorized areas and channels in the PRC. The Group will carry on with its devotions in 2004 to improve broadcasting arrangement and program contents.

Value-added Software Business

The Group holds 25% equity interests in Skywin China Ltd. In 2003, its business was adversely affected by the outbreak of SARS. However, in accordance with the preference shares' dividend agreement entered upon the acquisition, the Group was still entitled to receive a dividend of RMB8,000,000, the same as the amount in 2002.

REVIEW OF OTHER BUSINESSES *(continued)*
Insurance

The Group holds 48% equity interests in Winterthur Insurance (Asia) Limited ("Winterthur Insurance"). Winterthur Insurance, through its Shanghai branch, is principally engaged in non-life insurance businesses in the PRC. The aggregate premium income for 2003 was HK\$65,987,000, representing a 39.8% increase as compared with the previous year. The net income was approximately HK\$430,000.

FINANCIAL REVIEW
Liquidity and Capital Structure

As at 31st December 2003, the shareholders' funds of the Group amounted to HK\$2,329,000,000 (2002: HK\$2,236,000,000), while the net asset value per share was HK\$2.88 (2002: HK\$2.77). As at 31st December 2003, the Group's gearing ratio (on the basis of the amount of total liabilities less total bank balances divided by shareholders' funds) was 29.1% (2002: 24.3%)

As at 31st December 2003, the Group had an outstanding bank loans of HK\$421,178,000. In terms of maturity, the outstanding bank loans can be divided into HK\$172,675,000 (41%) to be repaid within one year, HK\$154,931,000 (37%) to be repaid after one year but within two years, HK\$74,852,000 (18%) to be repaid after two years but within five years, HK\$18,720,000 (4%) to repaid more than five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$233,658,000 (55%) in Renminbi, HK\$104,520,000 (25%) in US dollars and HK\$83,000,000 (20%) in Hong Kong dollars.

55% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 45% are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31st December 2003, the Group had a working capital of HK\$97,000,000 and total bank balances of HK\$255,000,000 (2002: HK\$252,000,000 and HK\$433,000,000 respectively). In February 2004, the Company successfully completed a top-up placing of 100,000,000 shares and raised HK\$166,000,000. Together with the current cash balances, available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. Besides as the Hong Kong dollar is pegged to the US dollar, and the exchange rate between Hong Kong dollar and Renminbi also fluctuates slightly, the Group believes that its exposure to foreign exchange risks is not material.

FINANCIAL REVIEW *(continued)*

Pledge of Assets

As at 31st December 2003, bank deposits amounted to HK\$11,948,000 (2002: HK\$86,620,000), certain of the Group's investment properties of approximately HK\$364,600,000 (2002: approximately HK\$352,000,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$1,158,220,000 (2002: HK\$1,330,239,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

Contingent Liabilities

As at 31st December 2003, the Group had given guarantees to certain banks in respect of banking facilities granted to certain subsidiaries of the Company and the amount utilized was approximately HK\$129,000,000 (2002: HK\$124,000,000).

In addition, as at 31st December 2003, the Group had given guarantees of approximately HK\$14,300,000 (2002: HK\$14,300,000) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

STAFF

As at 31st December 2003, the Group employed about 1,000 staff with remuneration for the year amounted to HK\$64,101,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

PROSPECTS

The management of the Group is confident in the economic development of the PRC and the prospects of the Group's PRC projects. The Group will continually adopt an active but prudent operating strategy, strengthen its corporate governance, reduce the operating costs in order to further develop its principal business of property operations, optimize the business structure, enhance effectiveness and maximize the return to shareholders.