

On behalf of the board of directors, I would like to present the annual results of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2003.

## Time for revival

As much of the negative impacts brought about by the outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the unstable international political relationship subsided in the second half of year 2003, the long expected "V" shaped rebound to the economy of Hong Kong finally came about.

Accompanying a series of supportive government policies (including the Closer Economic Arrangement and the liberalization of individual Chinese travellers visiting Hong Kong, etc) and the coherent efforts of Hongkongers in revitalizing this lovely city, most business sectors beneficial significantly by the promising steady economic growth of the motherland in year 2003.

As before, the Group shared all the highs and lows together with each and every patriotic hard-working citizen in the city. Being an established corporation rooted and incorporated in Hong Kong, the Company maintained its allegiance by confirming the Group's on-going strategy of investing in China for the utmost benefit of both the people and shareholders of the Company.

## Focused endurance

The economy in China enjoyed rapid growth during 2003 as the Group had predicted last year. Both the gross national product and the annual per capita disposable income of urban households in China increased in the year to Rmb11,669.4 billion, up by 9.1 percent and Rmb8,472 per person, up by 9.0 percent, respectively (Sourced from: The Statistical Communique 2003).

Focusing on the continuous significant improvement in the living standards of the general public in China, the Group was encouraged to further strengthen its investments in the tour and hotel business between Hong Kong and China. Further reorganization and re-engineering in corporate structure was implemented to improve the overall efficiency of the Group's investments in Wing On Travel (Holdings) Limited and the Apex Quality Group Limited.

During the year, the Group minimized its exposure in the over competent tire industry in China by realizing various former investments in Yinchuan and Hangzhou. Thanks to the concurrent hyper-growth in the prosperous automobile industry in China during the year, such disposal of tire operations generated significant amount of cash proceeds to the Group.

本人謹代表董事會提呈中策集團有限公司（「本公司」）及其附屬公司（統稱「本集團」）截至二零零三年十二月三十一日止年度之全年業績。

## 生機再現

由於嚴重急性呼吸道綜合症（「沙士」）爆發，與及國際政治關係緊張所帶來之負面衝擊，於二零零三年下半年漸見舒緩，期待已久的香港經濟「V」形反彈，終於出現。

伴隨著政府連串振興經濟措施（包括更緊密經濟合作夥伴關係安排及開放內地人個人到港旅遊等措施），加上港人同心協力，使到東方之珠再現光彩。大部份工商界均在二零零三年內地經濟欣欣向榮，形勢大好之帶動下獲益。

一如以往，本集團與港內愛國勤勞的人們同舟共濟，同喜同悲。作為扎根香港，已具規模之公司，本公司確立繼續投資於中國之策略，堅持對國家之最高忠誠，為人民及為本公司股東謀求最大福利。

## 專注堅忍

中國經濟一如本集團去年所預期般快速增長，國民生產總值及城市居民全年人均可支配收入分別達人民幣116,694億元及每人人民幣8,472元，分別上升了9.1%及9.0%（資料來源：二零零三年統計公報）。

本集團一向致力提高中國人民生活水平，故對進一步投資於本港及中國內地之旅遊及酒店業務。本集團實行重組及改造公司架構，藉以改善本集團於永安旅遊（控股）有限公司及Apex Quality Group Limited之整體投資效益。

年內，本集團減少投資於中國競爭劇烈之輪胎行業，故此於較早前出售銀川及杭州之投資。由於中國汽車行業於年內發展蓬勃，是次出售輪胎業務順利為本集團帶來重大現金收款。

Through years of hard work and endurance, management attained a successful turnaround in the business performance of its Tung Fong Hung herbal medicine and pharmaceutical retail chain. The once troubled retailer is now becoming healthy and once again filled with valuable potential. The subsequent disposal of the retail chain has fully reflected the fruit from the efforts of every member in the Group.

## Prospect

Premier Wen Jiabao recently commented that year 2004 would be a year of putting the big ship of China's economy at a "critical juncture" (Extracted from : and article of Xinhua News Agency on 14th March, 2004). Premier Wen further mentioned that his government wants a seven percent economic growth of year 2004 (Sourced from: People's Daily Online). It is probable that the return of macro-control measures and the fight for economic soft-landing would be the forthcoming agenda for China in year 2004. Through its experiences from year 2003 and before, the Group intends to face this challenging year by exercising utmost caution towards all its investments and in assessing any possible business opportunities.

Despite the uncertainties, our management team will continue to strive to protect the long-term interests of our shareholders.

## Appreciation

On behalf of my fellow directors, I would like to extend my deepest thanks to our loyal staff who showed their commitment and dedication to the Group. I hope that the future will be brighter for the Group in the years to come.

Dr. Chan Kwok Keung, Charles  
*Chairman*

Hong Kong  
23rd April, 2004

經過多年堅忍奮鬥，本集團管理層成功使東方紅草藥及西藥零售連鎖店業績大翻身，使此一度陷入困境之零售名店再度充滿生氣，其後將之順利轉手圖利，更是集團上下努力成果之反映。

## 展望

溫家寶總理最近指出，二零零四年將為中國經濟進入「關鍵時刻」(摘自新華網於二零零四年三月十四日之報導)。溫總理亦進一步指出，政府意欲將二零零四年之經濟增長定為百分之七(資料來源：人民網)。宏觀調控措施可能重現，加上爭取經濟放軟著陸，將為二零零四年中國之主題。縱觀二零零三年或以前之經驗，本集團將可能面對挑戰重重之年，而在其所有投資及評估任何商機時均須步步為營。

縱有上述不穩定因素存在，本集團之管理層仍將繼續致力保障股東之長遠利益。

## 致謝

集團員工於年內，盡顯對集團之承擔及歸屬。就此，本人謹願代表董事會全人，向這些忠誠之員工致以最深謝意。

主席  
陳國強博士

香港  
二零零四年四月廿三日